

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**OF THE CITY OF ROCHESTER HILLS
OAKLAND COUNTY, MICHIGAN**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

ELECTED OFFICIALS

MAYOR

COUNCIL PRESIDENT

COUNCIL VICE-PRESIDENT

COUNCIL MEMBERS

PAT SOMERVILLE

MELINDA HILL

BARBARA HOLDER

BRYAN BARNETT

JOHN DALTON

JIM DUISTERMARS

LINDA RASCHKE

GERALD ROBBINS

PREPARED BY: CLERK'S OFFICE, ACCOUNTING DIVISION

City of Rochester Hills, Michigan

Contents

Introductory Section

Letter of Transmittal	i-v
Organization Chart	vi
Certificate of Achievement	vii
List of Principal Officials	viii

Financial Section

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14-15
Reconciliation of Fund Balances to Statement of Net Assets	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17-18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets	20
Statement of Revenue, Expenses, and Changes in Net Assets	21
Statement of Cash Flows	22-23
Fiduciary Funds - Statement of Assets and Liabilities	24
Component Units:	
Statement of Net Assets	25
Statement of Activities	26-27
Notes to Financial Statements	28-51

City of Rochester Hills, Michigan

Contents (Continued)

Required Supplemental Information

Budgetary Comparison Schedule - General Fund	52
Budgetary Comparison Schedule - Major Special Revenue Funds	53-56
Note to Required Supplemental Information	57

Other Supplemental Information

Nonmajor Governmental Funds:

All Fund Types:

Combining Balance Sheet	58
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	59

Nonmajor Special Revenue Funds:

Description of Funds	60
Combining Balance Sheet	61-62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	63-64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Amended Budget and Actual	65-68

Nonmajor Debt Service Funds:

Description of Funds	69
Combining Balance Sheet	70-72
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	73-75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Amended Budget and Actual	76-83

Nonmajor Capital Projects Funds:

Description of Funds	84
Combining Balance Sheet	85-86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	87-88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Amended Budget and Actual	89-92

Internal Service Funds:

Description of Funds	93
Combining Statement of Net Assets	94
Combining Statement of Revenues, Expenses, and Changes in Net Assets	95
Combining Statement of Cash Flows	96-97

City of Rochester Hills, Michigan

Contents (Continued)

Other Supplemental Information (Continued)

Fiduciary Funds:	
Description of Funds	98
Combining Statement of Fiduciary Assets and Liabilities	99
Combining Statement of Changes in Assets and Liabilities	100

Statistical Section

General Governmental Expenditures by Function - Primary Government - Last Ten Fiscal Years	101-102
General Governmental Revenue by Source - Primary Government - Last Ten Fiscal Years	103-104
General City Tax Levies and Tax Collections - Primary Government - Last Ten Fiscal Years	105
Assessed State Equalized Valuation of Taxable Property - Last Ten Fiscal Years	106
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	107-109
Principal Taxpayers	110
Special Assessment Billings and Collections - Last Ten Fiscal Years	111
Computation of Legal Debt Margin	112
Ratio of Net Bonded Debt to State Equalized Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	113
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years	114
Schedule of Direct and Overlapping Debt	115
Capital Lease Obligations Coverage - Water and Sewer Leases	116
Demographic Statistics	117-118
Miscellaneous Statistics	119
Economic Development Corporation	120

Introductory Section

April 1, 2005

To the City Council Members
and Residents
City of Rochester Hills, Michigan

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester Hills (the "City") for the year ended December 31, 2004, in accordance with state law and the City Charter. This report is prepared for the purpose of disclosing the City's financial condition to its elected officials, residents, and other interested parties.

The Accounting Division of the City Clerk's office prepared this report, the Comprehensive Annual Financial Report (CAFR) of the City of Rochester Hills. We believe the information presented is accurate in all material aspects, and is presented in a manner that fairly sets forth the financial position of the City and results of City operations as measured by the City's financial activities; and that the CAFR includes all disclosures that are necessary to enable the reader to gain maximum understanding of the City's financial position. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Comprehensive Annual Financial Report is presented in three sections:

Introductory Section - The introductory sections of the CAFR includes this transmittal letter, an organizational chart, a list of the City's administration, and the City's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2003 from the Government Finance Officers Association of the United States and Canada.

Financial Section - The financial section includes the independent auditor's report, management's discussion and analysis report, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

Statistical Section - The statistical section includes selected financial, tax, and demographic information that covers a period of 10 years.

To the City Council Members
and Residents
City of Rochester Hills, Michigan

April 1, 2005

Profile of Government - The City of Rochester Hills was incorporated in 1984 and operates under the mayoral-council form of government. The mayor and seven members of the city council are elected to four-year staggered terms. Four of the council members are elected as district representatives and three members are elected as at-large representatives. The approximate population of the City is over 69,000 and comprises an area of 32.2 square miles. The City employs approximately 250 full-time employees and 58 contracted law enforcement officers. Additionally, the City has outstanding educational opportunities in both public and private schools for pre-kindergarten through 12th grade. Rochester College and a portion of Oakland University are located in the City, while several other colleges and universities are within a short driving distance. Quality health care is provided by Crittenton Hospital Medical Center, which is a full-service hospital that offers a variety of services for the community.

The City provides a full range of municipal services for the public's health, safety, welfare, and quality of life. City services include general administration, fire protection, police protection, planning and zoning, engineering, building and code enforcement, cemetery operations and maintenance, park operations and maintenance, street construction and maintenance, storm drain improvements, and pedestrian pathway construction and maintenance.

Water and sewer operations, maintenance, and capital improvements are provided from user charges that ensure adequate coverage of operating expenses, capital replacements, and payments on outstanding debt.

Local Economy - The City of Rochester Hills is a desirable community and continues to attract new residents and businesses. The economic condition of the City is fiscally sound and stable. The City has one of the lowest tax rates compared to other communities in Oakland County. The future, however, is filled with economic uncertainty, challenges, and new opportunities.

Revenue projections continue to be challenging due to the reduction in the State of Michigan's state-shared revenue program. The City's state revenue sharing decreased by \$424,438, or 7.24 percent, from the prior year with a total decline since 2001 of approximately \$1.1 million, or 16.85 percent. Due to the decrease in state-shared revenue, the City continues to be challenged in maintaining current levels of operating expenses.

The local economic base of the City of Rochester Hills possesses a diversified property tax base where residential housing comprises 75 percent of the tax base, 12 percent commercial, 6 percent industrial, and 7 percent personal property (business equipment, furniture, and machinery). No one taxpayer exceeds 1 percent of the tax roll and the top 10 payers combined account for less than 6 percent of the total.

The principal source of revenue to fund the City's operations is property tax. The property tax revenues are a result of applying the millage rate set by City Council within the restrictions of state law to the taxable value of real and personal property located within the City. The City's current tax base between real (93 percent) and personal (7 percent) property tax revenue for the fiscal year 2005 has a taxable value of \$3,230,824,070.

To the City Council Members
and Residents
City of Rochester Hills, Michigan

April 1, 2005

Major Initiatives

Local Roads - The City is currently pursuing the education of its residents and businesses as to the lack of funding for the City's local road program. No clear plan has been established for funding the needed local road projects. The City continues to work to develop a street improvement plan as the fund balance continues to deplete.

Capital Improvement Plan - The City of Rochester Hills Planning Commission adopted the 2005-2010 Capital Improvement Plan. Currently, the Commission is reviewing the 2006-2011 plan for the 2006 budget process. Significant capital projects include:

- Department of Public Service facility
- Sanitary rehabilitation program
- Water main extensions
- Drain extensions
- Major and local road construction

Long-term Financial Planning - The City will continue to improve and build upon its long-term processes. In 1995, the City developed a five-year financial model. As part of the budgeting process, the fiscal division updates the long-range forecasts of revenue and expenditures. The forecasts serve as the framework for budgetary decision-making by clarifying financial parameters and available options. The model provides historical data, current financial capacity given existing City programs, and future financial capacity, given our long-range plans and objectives.

The City has adopted the following financial policies to guide the process for long-term financial planning and decision-making.

Capital Improvement Plan - In accordance with the State of Michigan Planning Act 285, the Rochester Hills Planning Commission adopts a Capital Improvement Plan (CIP). The CIP is an exceptional tool that benefits our community and is meant to consider the immediate and future needs and goals of the City. The plan incorporates external and internal infrastructure projects. Such projects include drainage, major and local roads, parks, and City-owned facilities. The plan includes projects necessary to continue government operations that deliver the best services to our residents.

Debt Policy - Subject to applicable provisions of state statutes and the City Charter, the City Council, by ordinance or proper resolution, may authorize the borrowing of money for any purpose. The City's general obligation bonded debt issuances are subject to a legal limitation based on 10 percent of taxable value of real and personal property. In addition, under current state statutes, the City's special assessment bond debt issuances are subject to a legal limitation based on 12 percent of taxable value of real and personal property.

To the City Council Members
and Residents
City of Rochester Hills, Michigan

April 1, 2005

Investment Policy - Funds of the City will be invested in accordance with Michigan Public Act 239 of the Public Acts of 1988, as amended. The City has an investment policy that identifies the following objectives: procedures and policy, safety of capital, liquidity, return on investment, protection of purchasing power, and maintaining the public's trust.

The City has a cash management system designed to invest temporarily idle funds in obligations of the U.S. government, certificates of deposits from banks and savings and loan associates, commercial paper, banker's acceptances, and municipal investment pooled trusts consistent with Public Act 20 as permitted by state law and the City's investment policy. All cash and investments are maintained in the City's name and insured when possible, and delivery versus payment is the preferred safekeeping technique. Collateralized cash and investments are of primary importance to the City. Under current state banking law, bank deposits are not permitted to be collateralized. The City exercises caution when making bank deposits above FDIC insurance levels.

Risk Management - The City is self-insured for comprehensive general liability, motor vehicle damage, comprehensive property damage, and public official liability through the Michigan Municipal Risk Management Authority (MMRMA). The City has aggregate excess reinsurance coverage for aggregate claims in excess of \$300,000 up to a maximum limit of \$15,000,000 per each occurrence.

The City participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims. The City is proactive in various risk control techniques to help control losses. These techniques include employee accident prevention training, defensive driving programs, and safety training programs.

Pension and Postemployment Benefits - The City provides pension benefits for substantially all full-time employees, members of the City Council, and paid-on-call firefighters, through a defined contribution plan. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings on contributions. The City makes monthly contributions to the plan and the plan is fully funded.

The City has established a retiree health benefit program, which is comprised of a health savings plan and a supplement benefit. Full-time employees that have completed their probation period are eligible for the health benefit plan. The City contributes to the health savings plan on a monthly basis and the plan is fully funded. The expenditures for the postemployment health care costs for employees participating in the supplement benefit plan are paid as the costs are incurred.

Awards - For each of the last 16 years (fiscal years 1988 through 2003, inclusive), the City of Rochester Hills, Oakland County, Michigan has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

To the City Council Members
and Residents
City of Rochester Hills, Michigan

April 1, 2005

Acknowledgements - The preparation of this report was made possible by the efficient and dedicated staff of the accounting division. Also, the cooperation and assistance of every department in the City has been invaluable. We thank all of them for their efforts.

We also express our sincere appreciation to the accounting firm of Plante & Moran, PLLC, who assisted and contributed to this preparation. Additionally, members of the City Council are acknowledged for their ongoing interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

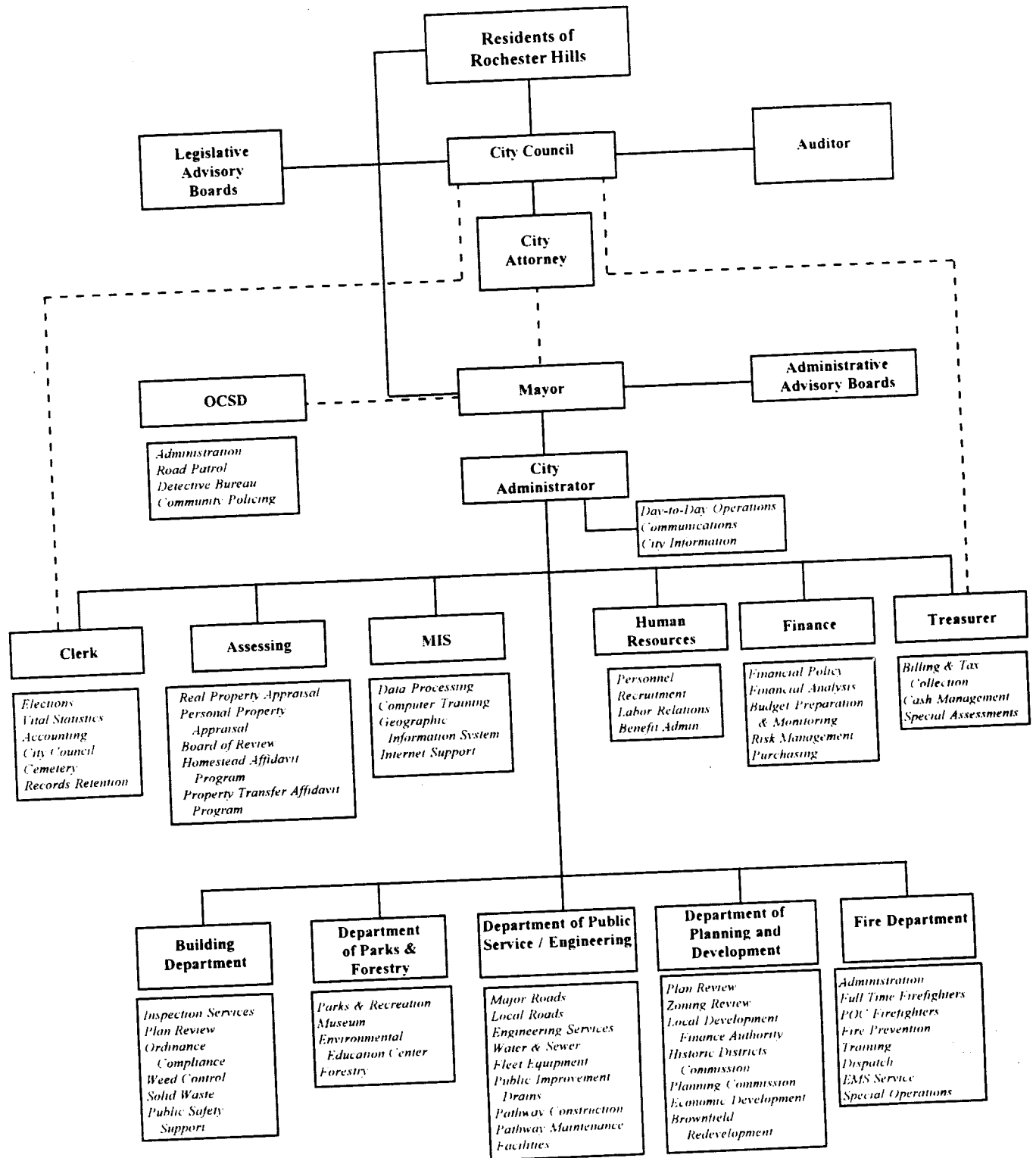


Pat Somerville
Mayor



Pamela Lee
City Accountant

Functional City-Wide Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rochester Hills,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

CITY OF ROCHESTER HILLS
OAKLAND COUNTY, MICHIGAN

CITY ADMINISTRATION

ED ANZEK

DIRECTOR OF PLANNING

SCOTT COPE

DIRECTOR OF BUILDING

RONALD CROWELL

ACTING FIRE CHIEF

KURT DAWSON

DIRECTOR OF ASSESSING/City TREASURER

BOB GRACE

DIRECTOR OF MANAGEMENT INFORMATION SERVICES

MICHAEL HARTNER

DIRECTOR OF PARKS & FORESTRY

JULIE JENUWINE

FINANCE DIRECTOR

PAMELA M. LEE

DIRECTOR OF HUMAN RESOURCES

PAMELA S. LEE

CITY ACCOUNTANT

JANE LESLIE

CITY CLERK

ROGER ROUSSE

DIRECTOR OF PUBLIC SERVICES

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Rochester Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rochester Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor
and Members of the City Council
City of Rochester Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester Hills, Michigan's basic financial statements. The management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2005 on our consideration of the City of Rochester Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

April 7, 2005

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) of the City of Rochester Hills, Michigan (the "City") is a narrative overview of the City's financial activities and performance for the fiscal year ended December 31, 2004. Please read it in conjunction with the City's financial statements and notes to the financial statements.

Government-wide Statements

The MD&A is followed by the City's basic financial statements, which are comprised of two sections. The first two statements, entitled government-wide statement of net assets followed by the government-wide statement of activities, are financial statements that represent the City as a whole and provide a long-term perspective regarding the City's overall financial status. The statement of net assets includes all of the City's assets and liabilities as described in Notes 5 and 7, respectively, to the financial statements. The difference between the City's assets and liabilities is the "net assets," which is a way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid and represents the change in net assets from one year to the next.

The City's activities are separated into three categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

- The governmental activities column reports the City's basic services, including general administration, fire, police, department of public works, and parks and recreation.
- Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system is the only business-type activity reported.
- The City has six discretely presented component units (only four had financial activity during 2004) included in this report as follows: Local Development Finance Authority, Economic Development Corporation, Rochester-Avon Recreation Authority, the Older Persons' Commission, the Brownfield Redevelopment Authority, and the Automation Alley SmartZone. Although legally separate, these component units are important because the City is financially accountable. Further information regarding the purpose of each component unit is found in Note I to the financial statements.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The City's fund financial statements are similar to the historical presentation; however, this section individually discloses only those funds designated as the City's "major" funds. All nonmajor funds are aggregated into one column. These statements provide a higher level of detail than the government-wide statements and continue to illustrate how the services provided by the City were financed in the short term as well as what remains for future spending. The City has three types of funds that are used to keep track specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** - The majority of the City's basic services included in the governmental funds not only focus on how cash and other financial assets that can readily be converted to cash flow in and out, but also what year-end balances are available to finance future City programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the differences between the two methods of reporting. Pages 16 and 19 illustrate this concept.
- **Proprietary Funds** - Services for which the City charges customers fees are reported in this fund type. This fund type provides both the short- and long-term financial information comparable to the business-type activity in the government-wide statements.

The City uses two types of proprietary funds; the Water and Sewer Fund is an Enterprise Fund, which typically charges residents usage fees. The other proprietary fund type is Internal Service Funds, of which the City has four, which are used to report activities that provide services to other City funds and activities, typically covered by charges to other City departments. Individual financial statements are presented for each fund in the section entitled "other supplemental information." The activity of the Internal Service Funds is eliminated in the government-wide statements to avoid duplicate reporting of revenues and expenses.

- **Fiduciary Funds** - The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of the City as a Whole

Statement of Net Assets - The City's combined net assets increased 2.9 percent, or \$7.8 million, from \$270.8 million in 2003 to \$278.6 million in 2004. Of this increase, \$6.0 million, or 76.9 percent, is attributed to governmental activities. The primary increase is attributed to unrestricted net assets related to government activities of \$17.9 million, or 27.0 percent, which represents the amount that may be used to meet the City's ongoing obligations. Business-type net assets increased by \$1.8 million between 2003 and 2004, to \$119.8 million. The primary increase is attributed to the unrestricted net assets.

The City's assets totaled \$372.1 million, up by \$2.7 million, less than 1 percent from 2003. This relates primarily to amounts being invested to increase interest earnings and no major projects were started or completed during the fiscal year.

The City's total liabilities decreased approximately \$5.2 million, or 5.3 percent, to \$93.4 million in 2004. This relates primarily to paying off or reducing outstanding debt in the governmental activities by \$4.4 million.

In condensed format, the table below shows the comparison of net assets (in millions) as of December 31, 2004 to prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$ 97.9	\$ 94.7	\$ 17.8	\$ 16.0	\$ 115.7	\$ 110.7
Long-term receivables	0.8	1.3	1.4	1.7	2.2	3.0
Restricted assets	1.3	1.0	1.1	1.2	2.4	2.2
Capital assets	149.8	151.5	102.0	102.0	251.8	253.5
Total assets	249.8	248.5	122.3	120.9	372.1	369.4
Liabilities						
Current liabilities	34.3	34.7	2.5	2.9	36.8	37.6
Long-term liabilities	56.6	61.0	-	-	56.6	61.0
Total liabilities	90.9	95.7	2.5	2.9	93.4	98.6
Net Assets						
Invested in capital assets -						
Net of related debt	104.6	102.1	102.0	102.0	206.6	204.1
Restricted	36.4	36.6	1.1	-	37.5	36.6
Unrestricted	17.9	14.1	16.7	16.0	34.6	30.1
Total net assets	\$ 158.9	\$ 152.8	\$ 119.8	\$ 118.0	\$ 278.7	\$ 270.8

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

Changes in Net Assets - The City's total net assets increased by \$7.8 million during the fiscal year ended December 31, 2004. The table below shows the comparison of changes in net assets (in millions) to the prior year:

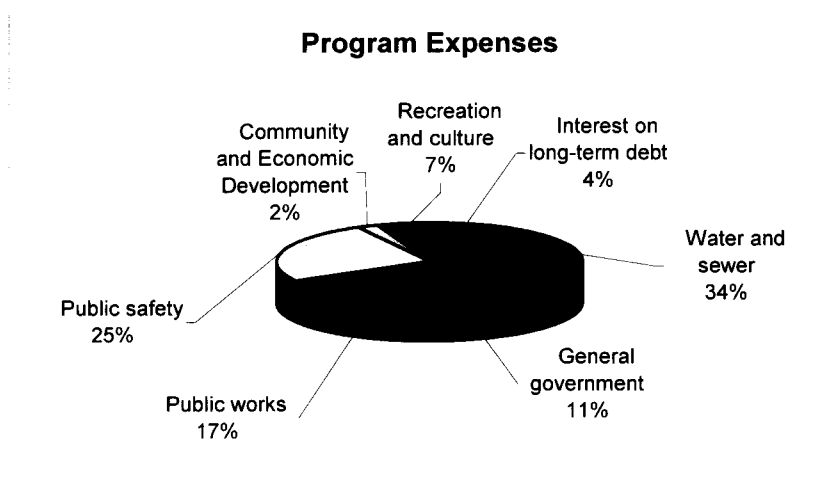
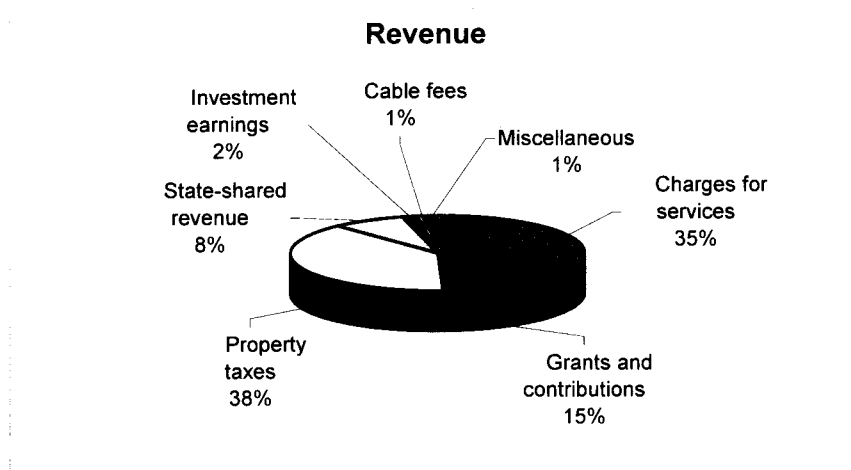
TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 5.6	\$ 4.6	\$ 17.8	\$ 17.7	\$ 23.4	\$ 22.3
Operating grants and contributions	4.7	4.6	-	-	4.7	4.6
Capital grants and contributions	1.9	3.8	3.5	2.1	5.4	5.9
General revenue:						
Property taxes	26.1	24.5	-	-	26.1	24.5
State-shared revenue	5.4	5.7	-	-	5.4	5.7
Investment earnings	0.9	0.9	0.2	0.2	1.1	1.1
Cable franchise fees	0.7	0.5	-	-	0.7	0.5
Miscellaneous	0.8	0.6	-	0.1	0.8	0.7
Transfers	-	0.1	-	(0.1)	-	-
Total revenue	46.1	45.3	21.5	20.0	67.6	65.3
Program Expenses						
General government	6.5	5.3	-	-	6.5	5.3
Public works	10.2	11.8	-	-	10.2	11.8
Public safety	15.2	12.5	-	-	15.2	12.5
Community and economic development	1.4	1.1	-	-	1.4	1.1
Recreation and culture	4.4	10.8	-	-	4.4	10.8
Interest on long-term debt	2.4	2.8	-	-	2.4	2.8
Water and sewer	-	-	19.7	19.9	19.7	19.9
Total program expenses	40.1	44.3	19.7	19.9	59.8	64.2
Change in Net Assets	6.0	1.0	1.8	0.1	7.8	1.1
Net Assets - Beginning of year	152.8	151.8	118.0	117.9	270.8	269.7
Net Assets - End of year	\$ 158.8	\$ 152.8	\$ 119.8	\$ 118.0	\$ 278.6	\$ 270.8

The City's governmental activity revenue exceeded annual expenses by \$6 million, resulting in an increase in net assets as of December 31, 2004 to \$158.8 million. Business-type activity revenue exceeded annual expenses by \$1.8 million, resulting in an increase in net assets to \$119.8 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City of Rochester Hills for the year ended December 31, 2004.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)



Governmental Activities - Of the City's total revenue generated for fiscal year 2004, property tax comprises the largest segment. Property tax revenue increased over the prior year by \$1.6 million, or 6.1 percent. This increase relates primarily to a 5.4 percent increase in taxable value while the millage rates remained the same. Of the grants and contributions revenue, \$4.4 million is associated with the State of Michigan Act 51 revenues for the major and local road systems, while much of the remaining revenue is associated with the governmental activity related to road systems donated by developers in the amount of \$1.7 million. State-shared revenue is a large segment of the governmental activity, for which the City received \$5.4 million. This reflects a decrease over the prior year by \$.3 million.

The majority of governmental expense is associated with the public safety function, which is \$15.2 million, or 37.9 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and police services. Public safety expenses increased \$2.7 million, which is attributed to increased costs of operations and contractual services. Public works expenses total \$10.2 million, or 17 percent. Public works expenses decreased by \$1.6 million from the prior year, which is attributed to fewer construction projects in 2004.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities - The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water purchased from the City of Detroit to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$17.8 million. The charges for services are offset by water and sewer expenses of \$19.7 million, or 32.9 percent of the City's total expenses, and after capital contributions the business activity has a net change in assets of \$1.8 million.

Financial Analysis of the City's Funds - An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to State legislative requirements to maintain separate funds for Act 51 major and local road money, the City creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by citizens and earmarked bond proceeds. The City's major funds for fiscal 2004 include the General Fund, the Major Road Fund, the Local Road Fund, the Fire Fund, and the Special Police Protection Fund. Capital improvements in the major funds include road reconstruction projects and a transfer from the City's Fire Operating Funds to the Fire Apparatus Fund for purchases of fire and emergency medical apparatus. The General Fund transferred a substantial amount of its operating funds to subsidize programs such as police protection, roads, seed money for capital projects, and to cover its share for internal service.

General Fund Budgetary Highlights - The City administration, mayor, and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year. The major changes during fiscal year 2004 were decreases in anticipated state-shared revenues, departmental administrative interfund charges, and charges for service. Fees and permits increased due to building improvements and additions that resulted in increased revenue for electrical, heating, and plumbing permit fees. Despite these increases, total General Fund revenues came in approximately \$21,000 under budget.

General Fund expenditures came in approximately \$1.1 million, or 4.7 percent, under budget, which resulted in a decrease of fund balance in the amount of \$112,376. City departments overall stayed below budget and the differences between the original budget and the final amended budget were due to unanticipated events and projects that did not materialize in 2004.

Capital Asset and Debt Administration - The City of Rochester Hills has \$251.8 million invested in a broad range of capital assets including land, building, technology equipment, fire equipment, water and sewer lines, and infrastructure for its governmental and business-type activities as of December 31, 2004. This reflects a decrease in net capital assets of \$1.7 million during the year.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

City of Rochester Hills Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	18.3	18.3	6.4	6.4	24.7	24.7
Right of way	38.2	37.3	0	0	38.2	37.3
Construction in progress	0	0	2.6	1.9	2.6	1.9
Infrastructure	60.1	61.9	90.9	91.1	151	153
Building and land improvements	26.9	26.5	0.5	0.5	27.4	27
Vehicles	3.2	3.7	0	0	3.2	3.7
Furniture and equipment	3.1	3.8	1.6	2.1	4.7	5.9
Total	149.8	151.5	102	102	251.8	253.5

The City of Rochester Hills' debt rating is excellent. The City maintains an AA+ by Fitch Ratings and Standard and Poor's. The City's bond indebtedness and contractual obligations totaled \$55.2 million at December 31, 2004. During the fiscal year, the City issued \$1.1 million in refunding bonds to refinance an existing drainage bond.

City of Rochester Hills Outstanding Debt (in millions of dollars)

	Governmental Activities	
	2004	2003
General obligation bonds	\$ 33.4	\$ 35.9
County contractual obligations	17.9	19.4
Special assessment bonds	3.9	4.4
Total	<u>\$ 55.2</u>	<u>\$ 59.7</u>

Economic Factors and New Year's Budget and Rates - The City's tax base is expected to continue to grow during 2005 by approximately \$165 million, or 5.4 percent. The City's total tax rate has been stable for the past four years at 9.3681 mills and is expected to remain the same for fiscal year 2005. This rate represents the third lowest millage rate among cities in Oakland County. Taxes account for 49 percent of governmental-type revenues and 43 percent of the General Fund revenues for the 2005 fiscal year. The General Fund tax revenue is estimated at \$10 million.

City of Rochester Hills, Michigan

Management's Discussion and Analysis (Continued)

The City's Local Road Fund continues to deplete and it is anticipated using approximately \$1.4 million of fund balance for fiscal year 2005. The City Council and the administration continue to plan and identify a long-term funding source to implement the needed local road improvements and address future projects. The 2005 Local Road Fund budget does not include local road construction, improvements, or rehabilitation projects.

Capital projects for governmental-type funds for fiscal year 2005 include major road improvements, drainage construction, park and museum improvements, and purchase of equipment for fire and fleet.

The Water and Sewer Fund anticipates several water and sewer main projects in addition to improvements to the DPS facility, radio read system, and a water tower to store water. These activities are all planned for fiscal year 2005.

Contacting the City's Management - This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administrative offices at the City of Rochester Hills.

City of Rochester Hills, Michigan

Statement of Net Assets December 31, 2004

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 35,824,043	\$ 8,198,336	\$ 44,022,379	\$ 1,772,679
Investments (Note 3)	44,640,812	6,022,507	50,663,319	1,994,678
Receivables - Net:				
Property tax	14,596,218	-	14,596,218	-
Customers	363,068	3,350,431	3,713,499	138,285
Accrued interest	240,095	27,302	267,397	11,902
Due from other governmental units	1,892,821	-	1,892,821	371,812
Internal balances (Note 6)	(7,997)	7,997	-	-
Inventories	68,766	81,676	150,442	33,623
Long-term receivables	834,141	1,481,690	2,315,831	-
Other assets	234,205	-	234,205	-
Restricted assets (Note 8)	1,316,585	1,194,588	2,511,173	-
Nondepreciable capital assets (Note 5)	56,481,206	9,040,815	65,522,021	2,790,244
Depreciable capital assets - Net (Note 5)	93,329,726	92,960,927	186,290,653	14,699,400
Total assets	249,813,689	122,366,269	372,179,958	21,812,623
Liabilities				
Accounts payable	1,305,503	2,148,029	3,453,532	209,322
Retainage payable	59,116	20,000	79,116	102,665
Accrued and other liabilities	1,597,219	203,127	1,800,346	39,132
Deposits and escrows	3,568,909	128,520	3,697,429	-
Deferred revenue (Note 4)	27,801,890	-	27,801,890	496,751
Noncurrent liabilities (Note 7):				
Due within one year - Debt	4,698,024	-	4,698,024	-
Due in more than one year - Debt	50,575,013	-	50,575,013	-
Due within one year - Other noncurrent liabilities	824,638	-	824,638	-
Due in more than one year - Other noncurrent liabilities	514,827	-	514,827	-
Total liabilities	90,945,139	2,499,676	93,444,815	847,870
Net Assets				
Invested in capital assets - Net of related debt	104,547,003	102,001,742	206,548,745	17,489,644
Restricted:				
Streets and highways	16,846,508	-	16,846,508	-
Dedicated millages	7,328,515	-	7,328,515	-
Debt service	6,749,421	-	6,749,421	-
Capital projects	5,488,068	-	5,488,068	-
Water and sewer infrastructure	-	1,194,588	1,194,588	-
Unrestricted	17,909,035	16,670,263	34,579,298	3,475,109
Total net assets	\$ 158,868,550	\$ 119,866,593	\$ 278,735,143	\$ 20,964,753

City of Rochester Hills, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,536,790	\$ 174,428	\$ -	\$ -
Public works	10,202,863	623,368	4,548,824	1,908,910
Public safety	15,209,176	3,961,344	126,307	-
Community and economic development	1,408,730	385,776	-	-
Recreation and culture	4,368,573	499,698	31,225	8,900
Interest on long-term debt	2,412,476	-	-	-
Total governmental activities	40,138,608	5,644,614	4,706,356	1,917,810
Business-type activities:				
Sewer	8,357,442	7,311,356	-	1,801,673
Water	11,332,430	10,464,055	-	1,722,954
Total business-type activities	19,689,872	17,775,411	-	3,524,627
Total primary government	<u>\$ 59,828,480</u>	<u>\$ 23,420,025</u>	<u>\$ 4,706,356</u>	<u>\$ 5,442,437</u>
Component units:				
Local Development Finance Authority	\$ 574,064	\$ -	\$ -	\$ -
Rochester-Avon Recreation Authority	1,779,950	1,790,883	-	-
Older Persons' Commission	3,361,847	569,093	-	1,588,938
Total component units	<u>\$ 5,715,861</u>	<u>\$ 2,359,976</u>	<u>\$ -</u>	<u>\$ 1,588,938</u>

General revenues:

Property taxes
 State-shared revenues
 Unrestricted investment earnings
 Cable franchise fees
 Miscellaneous

Special item - Gain on sale of capital assets

Total general revenues and special item

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended December 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (6,362,362)	\$ -	\$ (6,362,362)	\$ -
(3,121,761)	-	(3,121,761)	-
(11,121,525)	-	(11,121,525)	-
(1,022,954)	-	(1,022,954)	-
(3,828,750)	-	(3,828,750)	-
(2,412,476)	-	(2,412,476)	-
(27,869,828)	-	(27,869,828)	-
-	755,587	755,587	-
-	854,579	854,579	-
-	1,610,166	1,610,166	-
(27,869,828)	1,610,166	(26,259,662)	-
-	-	-	(574,064)
-	-	-	10,933
-	-	-	(1,203,816)
-	-	-	(1,766,947)
26,077,515	-	26,077,515	1,747,476
5,443,641	-	5,443,641	-
944,204	245,237	1,189,441	46,400
660,039	-	660,039	-
823,365	21,878	845,243	51,068
-	-	-	22,800
33,948,764	267,115	34,215,879	1,867,744
6,078,936	1,877,281	7,956,217	100,797
152,789,614	117,989,312	270,778,926	20,863,956
\$ 158,868,550	\$ 119,866,593	\$ 278,735,143	\$ 20,964,753

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Road Fund	Fire Fund
Assets				
Cash and cash equivalents	\$ 6,953,826	\$ 3,951,740	\$ 1,279,755	\$ 3,567,229
Investments	11,869,537	9,469,333	1,344,295	800,000
Receivables:				
Property tax	5,300,651	-	-	3,234,185
Federal government	-	-	-	-
State of Michigan	2,296	581,481	183,468	-
Oakland County	132,956	-	-	-
Accounts	214,618	-	76,177	687
Interest and other	67,565	50,076	8,263	8,224
Due from other funds	146	12,786	157,004	1,435
Inventories	-	-	68,766	-
Long-term receivables	-	-	285,496	-
Restricted assets - Assets held at County	-	-	-	-
Total assets	\$ 24,541,595	\$ 14,065,416	\$ 3,403,224	\$ 7,611,760
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 174,038	\$ 61,861	\$ 35,170	\$ 37,922
Retainages payable	-	15,000	10,000	-
Accrued wages	125,653	8,284	15,787	82,409
Accrued vacation	-	-	-	20,957
Accrued annual leave	-	-	-	6,275
Deposits and escrows	3,534,876	500	30,550	-
Due to other funds	26,242	156,236	1,250	-
Deferred revenue	9,941,712	-	285,652	6,063,165
Other liabilities	273,833	634	1,208	3,414
Total liabilities	14,076,354	242,515	379,617	6,214,142
Fund Balances				
Reserved for public improvement	-	-	-	-
Unreserved, designated for subsequent year's budget	-	-	1,415,230	-
Unreserved, reported in:				
General Fund	10,465,241	-	-	-
Special Revenue Funds	-	13,822,901	1,608,377	1,397,618
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	10,465,241	13,822,901	3,023,607	1,397,618
Total liabilities and fund balances	\$ 24,541,595	\$ 14,065,416	\$ 3,403,224	\$ 7,611,760

**Governmental Funds
Balance Sheet
December 31, 2004**

Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,251,779	\$ 12,877,147	\$ 30,881,476
1,207,958	13,557,473	38,248,596
2,088,262	3,973,120	14,596,218
10,416	-	10,416
1,640	-	768,885
-	-	132,956
65,711	5,875	363,068
10,511	83,063	227,702
85	3,072	174,528
-	-	68,766
-	548,645	834,141
-	527,477	527,477
<u>\$ 5,636,362</u>	<u>\$ 31,575,872</u>	<u>\$ 86,834,229</u>
\$ 727,647	\$ 35,410	\$ 1,072,048
-	-	25,000
2,174	8,950	243,257
-	-	20,957
-	-	6,275
-	2,983	3,568,909
-	-	183,728
3,960,996	8,375,817	28,627,342
166	685	279,940
4,690,983	8,423,845	34,027,456
-	177,356	177,356
160,790	1,697,170	3,273,190
-	-	10,465,241
784,589	6,107,151	23,720,636
-	6,498,611	6,498,611
-	8,671,739	8,671,739
945,379	23,152,027	52,806,773
<u>\$ 5,636,362</u>	<u>\$ 31,575,872</u>	<u>\$ 86,834,229</u>

City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Assets Year Ended December 31, 2004

Total Fund Balances for Governmental Funds \$ 52,806,773

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 103,725,417

Special assessment receivables are expected to be collected over several years and are not available to pay current year expenditures 825,452

Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures 980,564

Accrued interest in governmental activities are not reported in the funds (563,094)

Amortization of bond issuance costs are not reported in the funds 135,091

Compensated absences in governmental activities are not reported in the funds (939,465)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:
Bonds payable (50,423,037)
Tax tribunal claims (400,000)

Internal Service Funds are included as part of governmental activities 52,720,849

Net Assets of Government Activities \$ 158,868,550

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Road Fund	Fire Fund
Revenue				
Property taxes	\$ 9,407,184	\$ -	\$ -	\$ 5,763,099
Licenses and permits	2,350,446	-	13,696	15,429
Intergovernmental:				
State grants	5,450,282	3,260,246	1,259,663	3,850
Federal grants	246,709	97,059	-	18,827
Other governmental revenues	-	-	40,000	-
Charges for services	4,106,897	216,491	127,893	784,097
Fines and forfeitures	166,940	-	-	8,920
Investment earnings	220,598	169,537	60,378	36,816
Special assessments	-	-	66,711	-
Refunds and other revenue	35,750	9,000	(9,254)	81,738
Total revenue	21,984,806	3,752,333	1,559,087	6,712,776
Expenditures				
Current:				
General government	6,941,792	-	-	-
Public works	676,751	-	-	-
Public safety	2,625,588	-	-	5,459,700
Community and economic development	1,401,921	-	-	-
Streets	-	1,264,118	2,643,047	-
Recreation and culture	2,724,461	-	-	-
Capital outlay	-	1,624,909	257,299	10,724
Debt service	-	-	-	-
Total expenditures	14,370,513	2,889,027	2,900,346	5,470,424
Excess of Revenue Over (Under) Expenditures	7,614,293	863,306	(1,341,259)	1,242,352
Other Financing Sources (Uses)				
Transfers in	55,960	1,546,352	1,287,943	-
Transfers out	(7,785,750)	(1,268,753)	(768,836)	(1,114,687)
Sales of fixed assets	3,121	-	-	591
Issuance of bonds	-	-	-	-
Bond premium (discount)	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	(7,726,669)	277,599	519,107	(1,114,096)
Net Change in Fund Balance	(112,376)	1,140,905	(822,152)	128,256
Fund Balances - Beginning of year	10,577,617	12,681,996	3,845,759	1,269,362
Fund Balances - End of year	<u>\$ 10,465,241</u>	<u>\$ 13,822,901</u>	<u>\$ 3,023,607</u>	<u>\$ 1,397,618</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2004

Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,749,443	\$ 7,157,789	\$ 26,077,515
-	-	2,379,571
29,630	4,778	10,008,449
74,000	-	436,595
204,079	-	244,079
155,887	469,443	5,860,708
344,625	-	520,485
41,435	351,006	879,770
-	146,501	213,212
59	55,290	172,583
4,599,158	8,184,807	46,792,967
-	-	6,941,792
-	1,024,341	1,701,092
6,950,897	-	15,036,185
-	-	1,401,921
-	-	3,907,165
-	1,308,841	4,033,302
-	1,922,820	3,815,752
-	6,692,815	6,692,815
6,950,897	10,948,817	43,530,024
(2,351,739)	(2,764,010)	3,262,943
2,566,700	8,840,413	14,297,368
(377,338)	(4,600,246)	(15,915,610)
-	43,240	46,952
-	1,120,000	1,120,000
-	8,917	8,917
-	(1,090,576)	(1,090,576)
2,189,362	4,321,748	(1,532,949)
(162,377)	1,557,738	1,729,994
1,107,756	21,594,289	51,076,779
<u>\$ 945,379</u>	<u>\$ 23,152,027</u>	<u>\$ 52,806,773</u>

City of Rochester Hills, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 1,729,994

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (775,529)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (213,230)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds 22,957

Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond 143,855

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 5,403,516

Bond proceeds are not reported as financing sources on the statement of activities (1,120,000)

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (36,549)

Internal Service Funds are also included as governmental activities 923,922

Change in Net Assets of Governmental Activities \$ 6,078,936

City of Rochester Hills, Michigan

Proprietary Funds Statement of Net Assets December 31, 2004

	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,198,336	\$ 4,942,567
Investments	6,022,507	6,392,216
Receivables:		
Accounts	3,350,431	-
Accrued interest	27,302	36,322
Due from other funds	7,997	1,349
Inventories	81,676	-
Prepaid costs and other assets	-	75,185
Total current assets	17,688,249	11,447,639
Noncurrent assets:		
Restricted assets - Assets held at the County	1,194,588	789,108
Capital assets - Net	102,001,742	46,085,515
Long-term receivable	1,481,690	-
Total assets	122,366,269	58,322,262
Liabilities		
Current liabilities:		
Accounts payable	2,148,029	233,455
Retainages payable	20,000	34,116
Accrued wages	34,151	23,427
Accrued vacation	108,523	75,313
Accrued annual leave	57,840	44,838
Deposits and escrows	128,520	-
Due to other funds	-	146
Accrued and other liabilities	2,613	274,422
Payable related to capital lease obligations:		
Current portion of capital lease obligations	-	200,000
Accrued interest	-	65,696
Total current liabilities	2,499,676	951,413
Long-term liabilities - Obligations under capital lease - Net of current portion	-	4,650,000
Total liabilities	2,499,676	5,601,413
Net Assets		
Investment in capital assets - Net of related debt	102,001,742	42,024,623
Restricted	1,194,588	789,108
Unrestricted	16,670,263	9,907,118
Total net assets	<u>\$ 119,866,593</u>	<u>\$ 52,720,849</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Rochester Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	Enterprise - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Charges for services	\$ 17,757,308	\$ 6,278,089
Other charges for services	<u>39,981</u>	<u>19,543</u>
Total operating revenue	17,797,289	6,297,632
Operating Expenses		
Cost of water produced/purchased	6,203,605	-
Cost of sewage treatment	4,540,926	-
Salaries and wages	2,790,508	1,921,678
Professional services	1,661,982	1,708,908
Public utilities	-	587,607
Material and supplies	371,503	266,210
Repairs and maintenance	38,811	525,405
Rentals	828,939	220,987
Depreciation and amortization	<u>3,253,598</u>	<u>2,667,958</u>
Total operating expenses	<u>19,689,872</u>	<u>7,898,753</u>
Operating Loss	(1,892,583)	(1,601,121)
Nonoperating Revenue (Expenses)		
Investment income	248,495	146,848
Net depreciation in fair value of investments	(3,258)	(2,057)
Capital and lateral charges	1,463,634	-
Interest expense	-	(200,863)
Gain on disposal of fixed assets	<u>-</u>	<u>61,552</u>
Total nonoperating revenue	<u>1,708,871</u>	<u>5,480</u>
Loss - Before contributions	(183,712)	(1,595,641)
Capital Contributions	2,060,993	901,321
Transfers (to) from Other Funds	<u>-</u>	<u>1,618,242</u>
Change in Net Assets	1,877,281	923,922
Net Assets - Beginning of year	<u>117,989,312</u>	<u>51,796,927</u>
Net Assets - End of year	<u>\$ 119,866,593</u>	<u>\$ 52,720,849</u>

City of Rochester Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2004

	Enterprise - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers	\$ 17,334,666	\$ 6,384,870
Cash payments for goods and services	(13,979,435)	(3,797,610)
Cash payments to employees	(2,815,163)	(1,963,231)
Other operating revenue	-	19,543
Net cash provided by operating activities	540,068	643,572
Cash Flows from Noncapital Financing Activities		
Operating transfers in from other funds	-	1,618,242
Repayments to (borrowings from) other funds	39,154	(1,651)
Net cash provided by noncapital financing activities	39,154	1,616,591
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	-	61,036
Payment for capital acquisitions	(1,216,716)	(786,271)
Collection of capital and lateral charges	1,463,634	-
Principal payments	-	(175,000)
Interest paid	-	(202,614)
Net cash provided by (used in) capital and related financing activities	246,918	(1,102,849)
Cash Flows from Investing Activities		
Purchase of investment securities	(10,577,438)	(7,385,894)
Proceeds from maturities of investment securities	11,503,373	5,382,912
Receipts of interest and dividends	228,763	117,528
Net cash provided by (used in) investing activities	1,154,698	(1,885,454)
Net Increase (Decrease) in Cash and Cash Equivalents	1,980,838	(728,140)
Cash and Cash Equivalents - January 1, 2004	6,217,498	5,670,707
Cash and Cash Equivalents - December 31, 2004	\$ 8,198,336	\$ 4,942,567

City of Rochester Hills, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2004

	Enterprise - Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,892,583)	\$ (1,601,121)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	3,253,598	2,667,958
Increase in accounts receivable	(462,623)	-
Decrease in other assets	-	106,781
Decrease in inventories	17,647	-
Decrease in accounts payable and other accrued expenses	(351,316)	(530,046)
Decrease in accrued wages, vacation, and annual leave	(24,655)	-
Total adjustments	<u>2,432,651</u>	<u>2,244,693</u>
Net cash provided by operating activities	<u>\$ 540,068</u>	<u>\$ 643,572</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2004, the Water and Sewer Fund received \$1,152,508 of lines donated by developers, as well as \$908,485 of donated assets originally purchased by governmental activities. During the year, the Water and Sewer Fund and Internal Service Funds recognized \$3,258 and \$2,057, respectively, of unrealized gain in the market value of securities.

City of Rochester Hills, Michigan

Fiduciary Funds Statement of Assets and Liabilities December 31, 2004

Assets - Cash and cash equivalents

\$ 4,921,324

Liabilities

Accounts payable

\$ 34,766

Due to other governments

4,818,566

Accrued and other liabilities

67,992

Total liabilities

\$ 4,921,324

City of Rochester Hills, Michigan

Component Units Statement of Net Assets December 31, 2004

	Local Development Finance Authority	Economic Development Corporation	Rochester-Avon Recreation Authority	Older Persons' Commission	Total
Assets					
Cash and investments	\$ 2,594,698	\$ 2,432	\$ 746,856	\$ 423,371	\$ 3,767,357
Due from other governmental units	368,721	-	1,435	1,656	371,812
Receivables - Accrued interest and other	11,350	-	38,323	100,514	150,187
Inventories	-	-	33,623	-	33,623
Capital assets	-	-	38,447	17,451,197	17,489,644
Total assets	2,974,769	2,432	858,684	17,976,738	21,812,623
Liabilities					
Accounts payable	84,740	-	60,360	64,222	209,322
Retainage payable	-	-	-	102,665	102,665
Accrued and other liabilities	-	-	12,986	26,146	39,132
Deferred revenue	368,721	-	116,258	11,772	496,751
Total liabilities	453,461	-	189,604	204,805	847,870
Net Assets					
Investment in capital assets - Net of related debt	-	-	38,447	17,451,197	17,489,644
Unrestricted	2,521,308	2,432	630,633	320,736	3,475,109
Total net assets	<u>\$ 2,521,308</u>	<u>\$ 2,432</u>	<u>\$ 669,080</u>	<u>\$ 17,771,933</u>	<u>\$ 20,964,753</u>

City of Rochester Hills, Michigan

		Program Revenues	
	Expenses	Charges for Services	Capital Grants/Contributions
Local Development Finance Authority - Public service	\$ 574,064	\$ -	\$ -
Rochester-Avon Recreation Authority - Recreation and culture	1,779,950	1,790,883	-
Older Persons' Commission - Recreation and culture	<u>3,361,847</u>	<u>569,093</u>	<u>1,588,938</u>
Total governmental activities	<u>\$ 5,715,861</u>	<u>\$ 2,359,976</u>	<u>\$ 1,588,938</u>

General revenues:

Property taxes

Unrestricted investment earnings

Miscellaneous

Special item - Gain on sale of land and building

Total general revenues and special item

Change in Net Assets (Deficit)

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2004**

Net (Expense) Revenue and Changes in Net Assets				
Local Development Finance Authority	Economic Development Corporation	Rochester-Avon Recreation Authority	Older Persons' Commission	Total
\$ (574,064)	\$ -	\$ -	\$ -	\$ (574,064)
-	-	10,933	-	10,933
-	-	-	(1,203,816)	(1,203,816)
(574,064)	-	10,933	(1,203,816)	(1,766,947)
501,089	-	-	1,246,387	1,747,476
34,756	9	-	11,635	46,400
-	1,250	-	49,818	51,068
-	-	-	22,800	22,800
535,845	1,259	-	1,330,640	1,867,744
(38,219)	1,259	10,933	126,824	100,797
2,559,527	1,173	658,147	17,645,109	20,863,956
\$ 2,521,308	\$ 2,432	\$ 669,080	\$ 17,771,933	\$ 20,964,753

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Rochester Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Rochester Hills, Michigan:

Reporting Entity

The City of Rochester Hills, Michigan is a municipal corporation that is governed by an elected seven-member council. The City provides the following services as authorized by its charter: public safety (fire protection and contract police service), street maintenance, water and wastewater distribution, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Joint Ventures - The City is a member of the Paint Creek Trailways Commission, which was organized in 1981 for the purposes of owning, developing, maintaining, and otherwise operating certain nonmotorized public trails within the jurisdiction of the participating governmental organizations. The participating communities, which include Orion Township (8 percent), City of Rochester (11 percent), City of Rochester Hills (37 percent), and Oakland Township (44 percent), provide annual funding for its operations. During the current year, the City contributed approximately \$16,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

Blended Component Units - The Rochester Hills Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public facilities.

City of Rochester Hills, Michigan

Notes to Financial Statements
December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The following component units are reported within the component unit column in the government-wide financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Local Development Finance Authority (LDFA) is governed by a 13-member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The City of Rochester Hills, Michigan has the ability to impose its will upon the LDFA. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City. Their financial statements can be obtained from their administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- b. The Economic Development Corporation (EDC) is governed by a 10-member board appointed by the mayor and confirmed by the City Council. The EDC was created to provide a means and method for encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The City of Rochester Hills, Michigan has the ability to impose its will upon the EDC. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises. Their financial statements can be obtained from their administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- c. The Rochester-Avon Recreation Authority (R.A.R.A.) was organized for the purpose of providing extensive and varied recreational programs for persons residing within the jurisdiction of the participating governmental organizations.

Along with the City of Rochester Hills, Michigan, which is a 90 percent-member unit, the City of Rochester is also a member unit with a 10 percent interest. The governing body of R.A.R.A. consists of one City Council member and two Council-appointed persons from the City of Rochester Hills, one City Council member, and one Council-appointed person from the City of Rochester and three Board-appointed persons from each Rochester and Avondale Schools. There is a financial benefit/burden relationship between R.A.R.A. and the City of Rochester Hills. Their financial statements can be obtained from their administrative offices at 108 East Second Street, Rochester, MI.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- d. The Older Persons' Commission (O.P.C.) was organized in 1983 for the purpose of providing activities and services for older persons residing within the jurisdiction of the participating governmental organizations. Along with the City of Rochester Hills, Michigan, which is a 75 percent participating member, Oakland Township (14 percent) and the City of Rochester (11 percent) are also member units of the O.P.C.

The governing body of the O.P.C. consists of two City Council members and two Council-appointed older persons from the City of Rochester Hills, one City Council member and one Council-appointed older person from the City of Rochester, and one Board member and one Board-appointed older person from Oakland Township. There is a financial benefit/burden relationship between O.P.C. and the City of Rochester Hills. Their financial statements can be obtained from their administrative offices at 650 Letica Dr., Rochester, MI.

- e. The Brownfield Redevelopment Authority (the "Authority") was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 32.2 square mile boundary of the City. The Brownfield Redevelopment Authority is governed by a seven-member board that is appointed by the mayor and confirmed by the City Council. During 2003, the Authority had no financial activity. Their financial statements can be obtained from their administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- f. The Automation Alley SmartZone (SmartZone) was created in 2003 to foster new economic growth and development by establishing clusters of technology companies. The program also seeks to develop relationships between these businesses and universities by providing businesses resources and accessibility to university facilities for the purpose of commercializing research. The SmartZone is governed by a 13-member board, which is appointed by the mayor and confirmed by the City Council. The City of Rochester Hills has the ability to impose its will upon the SmartZone. During 2003, the SmartZone had no financial activity.

City of Rochester Hills, Michigan

Notes to Financial Statements
December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. The cable franchise fees are reported as general revenue because they are not generated from any program of our government, and are unrestricted as to use.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Rochester Hills, Michigan

Notes to Financial Statements
December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Major Road Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.
- c. The Local Road Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain local road systems.
- d. The Fire Fund accounts for all revenue and expenditures for citywide fire operations, including millage collection.
- e. The Special Police Protection Fund accounts for the special millage for City police protection contracted with Oakland County.

The City reports the following major proprietary fund:

The Water and Sewer Fund records maintenance and operations of water and sewer departments provided for City residents and is financed primarily through user charges.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

- a. Internal Service Funds account for costs of operating and maintaining the land, buildings, machinery, equipment, and vehicle purchases of the City, as well as risk management services provided to other departments of the City on a cost reimbursement basis.
- b. The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the City totaled approximately \$3,000,000,000 (of which approximately \$27,000,000 is captured by the LDFA), on which taxes are levied as follows:

Function	Mills	Dollars
General operating purposes	3.0850	\$ 9,373,889
Fire operating services	1.9000	5,773,222
Police protection services	1.2362	3,756,241
OPC operating, transportation, and building	0.2686	816,151
R.A.R.A. operating	0.1609	488,901
Bike path maintenance	0.1903	578,234
Drain maintenance	0.4110	1,248,839
Debt service	1.3158	3,363,398

These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue. In addition, there are .8003 mills that are collected by the City for library operations.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income from pooled investments is generally allocated to each fund using a weighted average.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Assets have been restricted in the primary government, as they represent the assets held at Oakland County to be applied against future payment obligations of the City. See Note 8 for additional discussion.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets are depreciated using the straight-line method over the following useful lives:

Roads	20 years
Drainage flow rights	40 years
Water and sewer distribution systems	50 years
Buildings	50 years
Land improvements	15 years
Building improvements	10 years
Other tools and equipment	8 years
Vehicles	7 years
Office furnishings	3 years

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Annual Leave) - It is the City's policy to permit employees to accumulate earned but unused vacation and annual leave pay benefits. Historically, these benefits have been liquidated by the General Fund or other operating fund to which each employee is assigned. All vacation and annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2004		\$ (124,479)
Building permit revenue		2,169,003
Related expenses:		
Direct expenses	\$ 1,769,287	
Estimated indirect costs	<u>265,393</u>	
Total related expenses		<u>2,034,680</u>
Cumulative excess at December 31, 2004		<u>\$ 9,844</u>

The excess at December 31, 2004 may only be used to fund construction code activities.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated certain banks which they update annually for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all legal investments as noted above. The City of Rochester Hills' deposits and investment policies are in accordance with statutory authority.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 35,824,043	\$ 8,198,336	\$ 4,921,324	\$ 48,943,703	\$ 1,772,679
Investments	<u>44,640,812</u>	<u>6,022,507</u>	<u>-</u>	<u>50,663,319</u>	<u>1,994,678</u>
Total	<u>\$ 80,464,855</u>	<u>\$ 14,220,843</u>	<u>\$ 4,921,324</u>	<u>\$ 99,607,022</u>	<u>\$ 3,767,357</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 25,533,329	\$ 2,111,377
Investments in securities, mutual funds, and similar vehicles	74,068,375	1,654,830
Petty cash or cash on hand	<u>5,318</u>	<u>1,150</u>
Total	<u>\$ 99,607,022</u>	<u>\$ 3,767,357</u>

Deposits

The bank balance of the City's deposits is approximately \$24,072,000 (without recognition of checks written but not yet cleared or of deposits in transit), of which \$1,000,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The City has designated 10 banks for the deposit of its funds. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of approximately \$1,995,000, of which \$450,000 was covered by federal depository insurance.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - U.S. government securities	\$ -	\$ 26,743,775	\$ -	\$ 26,743,775
Investments not subject to categorization:				
Bank investment pool funds				20,798,489
Interlocal agreement investment pool funds				26,526,111
Total primary government				\$ 74,068,375
Component units - Interlocal agreement:				
Investment pool funds				\$ 1,078,706
Bank investment pools				576,124
Total component unit				\$ 1,654,830

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and interlocal agreement investment pool are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes	\$ -	\$ 27,402,318
Special assessments	825,452	-
Other	-	399,572
Deferred revenue	<u>\$ 825,452</u>	<u>\$ 27,801,890</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 18,284,900	\$ -	\$ -	\$ 18,284,900
Right of way	37,307,539	888,767	-	38,196,306
Subtotal	55,592,439	888,767	-	56,481,206
Capital assets being depreciated:				
Roads	71,977,151	2,697,029	-	74,674,180
Drain flowage rights	27,537,175	-	-	27,537,175
Land improvements	10,342,230	927,142	15,766	11,253,606
Building improvements	27,537,877	936,414	-	28,474,291
Vehicles	9,097,702	178,865	666,405	8,610,162
Office furnishings	4,569,585	450,456	152,851	4,867,190
Other tools and equipment	4,486,733	174,735	192,625	4,468,843
Subtotal	155,548,453	5,364,641	1,027,647	159,885,447

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 5 - Capital Assets (Continued)

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities (Continued)				
Accumulated depreciation:				
Roads	\$ 28,973,043	\$ 3,726,644	\$ -	\$ 32,699,687
Drain flowage rights	8,715,400	688,429	-	9,403,829
Land improvements	5,980,429	643,262	15,766	6,607,925
Building improvements	5,196,591	956,442	-	6,153,033
Vehicles	5,356,182	681,019	666,405	5,370,796
Office furnishings	2,615,790	916,516	152,851	3,379,455
Other tools and equipment	2,785,375	344,402	188,781	2,940,996
Subtotal	59,622,810	7,956,714	1,023,803	66,555,721
Net capital assets being depreciated	95,925,643	(2,592,073)	3,844	93,329,726
Net capital assets	\$ 151,518,082	\$ (1,703,306)	\$ 3,844	\$ 149,810,932
	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 6,426,799	\$ -	\$ -	\$ 6,426,799
Construction in progress	1,892,074	721,942	-	2,614,016
Subtotal	8,318,873	721,942	-	9,040,815
Capital assets being depreciated:				
Water and sewer distribution systems	134,978,610	2,440,330	-	137,418,940
Land improvements	196,906	-	-	196,906
Building improvements	942,517	54,611	-	997,128
Office furnishings	6,127	8,057	-	14,184
Other tools and equipment	5,073,294	52,768	27,993	5,098,069
Subtotal	141,197,454	2,555,766	27,993	143,725,227
Accumulated depreciation:				
Water and sewer distribution systems	43,866,794	2,714,356	-	46,581,150
Land improvements	176,819	2,836	-	179,655
Building improvements	446,787	20,033	-	466,820
Office furnishings	-	2,548	-	2,548
Other tools and equipment	3,048,296	513,824	27,993	3,534,127
Subtotal	47,538,696	3,253,597	27,993	50,764,300
Net capital assets being depreciated	93,658,758	(697,831)	-	92,960,927
Net capital assets	\$ 101,977,631	\$ 24,111	\$ -	\$ 102,001,742

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Rochester Hills' component units for the year was as follows:

Component Units	Balance December 31, 2003	Additions	Disposals and Adjustments	Balance December 31, 2004
Land	\$ 2,790,244	\$ -	\$ -	\$ 2,790,244
Capital assets being depreciated:				
Building	11,844,748	1,095,549	-	12,940,297
Building improvements	361,257	40,962	-	402,219
Land improvements	15,667	-	-	15,667
Furniture, equipment, and other	1,716,648	382,261	21,909	2,077,000
Vehicles	715,324	41,416	265,687	491,053
Subtotal	14,653,644	1,560,188	287,596	15,926,236
Less accumulated depreciation	900,103	602,754	276,021	1,226,836
Net capital assets being depreciated	13,753,541	957,434	11,575	14,699,400
Net capital assets	\$ 16,543,785	\$ 957,434	\$ 11,575	\$ 17,489,644

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 89,759
Public works	4,908,641
Public safety	654,389
Recreation and culture	565,049
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	1,738,872
Total governmental activities	\$ 7,956,710

Business-type activities:

Water	\$ 1,888,364
Sewer	1,365,234
Total business-type activities	\$ 3,253,598

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Fleet Equipment Fund	\$ 146
Major Road Fund	General Fund	12,786
Local Road Fund	General Fund	768
	Major Road Fund	<u>156,236</u>
	Total Local Road Fund	157,004
Fire department	General Fund	1,435
Special Police Protection Fund	General Fund	85
Nonmajor governmental funds		
Nonmajor governmental funds	General Fund	3,072
Water and Sewer Fund	General Fund	7,528
	Local Road Funds	<u>469</u>
	Total Water and Sewer Fund	7,997
Building and Grounds Fund	General Fund	268
	Local Road Fund	<u>781</u>
	Total Building and Grounds Fund	1,049
Management Information Systems Fund	General Fund	<u>300</u>
	Total	<u>\$ 183,874</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Road Fund	\$ 1,507,552
	Local Road Fund	500,000
	Special Police Fund	2,566,700
	Tree Fund	1,193,216
	Nonmajor governmental funds	1,534,190
	Building and Grounds Fund	439,092
	Fleet Equipment Fund	45,000
	Total General Fund	7,785,750
Major Road Fund	Local Road Fund	787,943
	Nonmajor governmental funds	480,810
	Total Major Road Fund	1,268,753
Local Road Fund	Major Road Fund	38,800
	Nonmajor governmental funds	730,036
	Total Local Road Fund	768,836
Fire Fund	Fire Apparatus Fund	1,033,611
	Building and Grounds Fund	81,076
	Total Fire Fund	1,114,687
Special Police Protection Fund	Building and Grounds Fund	377,338
Nonmajor governmental funds	General Fund	55,960
	Nonmajor governmental funds	3,868,550
	Building and Grounds Fund	675,736
	Total nonmajor governmental funds	4,600,246
	Total	\$ 15,915,610

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the Major and Local Road Funds, Special Police Protection Fund, additional nonmajor governmental funds, Building and Grounds Fund, and Fleet and Equipment Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Major Road Fund to the Local Road Fund represents the sharing of gas and weight tax revenues, in accordance with Public Act 51, plus additional transfers as allowed under Public Act 54 of 1999; the transfer from the Major Road Fund and Local Road Fund to nonmajor governmental funds represents the movement of resources to be used to service debt; and the transfer from the Fire Fund represents movement of resources to be used toward the purchase of capital outlay specifically for the fire department.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
<u>General Obligation Bonds:</u>					
Building Authority Bonds, Series 2002, payable through 2021 with interest at 3.12% to 4.75%	\$ 9,300,000	\$ -	\$ (300,000)	\$ 9,000,000	\$ 300,000
General Obligation Limited Tax Capital Improvement Bond, Series 2002, payable through 2017 with interest at 3.0% to 4.5%	4,500,000	-	(150,000)	4,350,000	175,000
General Obligation Unlimited Tax Bonds, OPC, Series 2001, payable through 2021 with interest at 3.5% to 5.0%	9,520,000	-	(300,000)	9,220,000	350,000
Michigan Transportation Fund Bond, MTF-2001 Series, payable through 2016 with interest at 4.25% to 4.6%	2,300,000	-	(75,000)	2,225,000	100,000

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>General Obligation Bonds (Continued):</u>					
Refunding Bond, payable through 2010 with interest at 3.9% to 4.9%	\$ 3,295,000	\$ -	\$ (30,000)	\$ 3,265,000	\$ 30,000
Refunding Bond, MTF, payable through 2005 with interest at 3.9% to 4.5%	910,000	-	(440,000)	470,000	470,000
Refunding Bond, payable through 2008 with interest at 2.0% to 3.5%	6,095,000	-	(1,200,000)	4,895,000	1,240,000
<u>County Contractual Obligations:</u>					
Ireland Drain, payable through 2010 with interest at 7.42%	948,246	-	(121,570)	826,676	126,433
Crake Drain Refunding, payable through 2011 with interest at 1.50% to 3.55%	1,152,003	-	(116,545)	1,035,458	161,370
Lueders Drain, payable through 2011 with interest at 4.25% to 5%	2,636,920	-	(304,260)	2,332,660	299,650
Lueders Drain #2, payable through 2011 with interest at 4% to 6%	900,000	-	(100,000)	800,000	100,000
McIntyre Drain, payable through 2013 with interest at 2.75% to 5.20%	770,123	-	(59,240)	710,883	64,177
Hampton Drain, payable through 2013 with interest at 2.75% to 5.2%	548,200	-	(42,828)	505,372	42,828
Bishop Drain, payable through 2013 with interest at 2.8% to 5.3%	1,000,000	-	(75,000)	925,000	75,000
Chester Drain, payable through 2014 with interest at 5.5% to 6.13%	125,000	-	(125,000)	-	-
Chester Drain Refunding, payable through 2013 with interest at 1.25% to 2.75%	1,645,000	-	(45,000)	1,600,000	185,000
Robert Huber Drain, payable through 2014 with interest at 5.4% to 7.4%	1,125,000	-	(1,125,000)	-	-
Robert Huber Drain, payable through 2014 with interest at 3.3% to 2%	-	1,120,000	(15,000)	1,105,000	95,000
Wolf Drain, payable through 2013 with interest at 4% to 4.7%	3,491,061	-	(274,073)	3,216,988	278,566
Capital Project Lease - Oakland County Building Authority, Building Authority Bonds, Series 2002A, payable through 2022 with interest at 3.0% to 4.75%	5,025,000	-	(175,000)	4,850,000	200,000

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Special Assessment Bonds:</u>					
Public Improvement Special Assessment Bonds - Roads - Series 1989, payable through 2004 with interest at 6% to 6.75%	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Public Improvement City Share Bonds, 1994 Series, payable through 2009 with interest at 4.75% to 6.15%	300,000	-	(50,000)	250,000	50,000
Public Improvement Special Assessment Bonds, 1994 Series, payable through 2009 with interest at 4.75% to 6.15%	645,000	-	(100,000)	545,000	100,000
Public Improvement City Share Bonds, 1995 Series, payable through 2010 with interest at 4.25% to 5.5%	300,000	-	(25,000)	275,000	25,000
Public Improvement Special Assessment Bonds, 1995 Series, payable through 2010 with interest at 4.25% to 5.5%	775,000	-	(105,000)	670,000	105,000
Public Improvement Special Assessment Bonds, 2001 Series, payable through 2016 with interest at 3.0% to 4.7%	1,125,000	-	(50,000)	1,075,000	50,000
Public Improvement City Share Bonds, 2001 Series, payable through 2016 with interest at 2.6% to 4.7%	1,200,000	-	(75,000)	1,125,000	75,000
Total bond obligations	59,731,553	1,120,000	(5,578,516)	55,273,037	4,698,024
Tax Tribunal	400,000	-	-	400,000	-
Compensated absences	902,916	36,549	-	939,465	824,638
Total other long-term obligations	1,302,916	36,549	-	1,339,465	824,638
Total governmental activities	\$ 61,034,469	\$ 1,156,549	\$ (5,578,516)	\$ 56,612,502	\$ 5,522,662

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2005	\$ 4,698,024	\$ 2,277,883	\$ 6,975,907
2006	4,331,060	2,107,659	6,438,719
2007	4,581,018	1,950,374	6,531,392
2008	4,749,708	1,778,011	6,527,719
2009	5,097,417	1,585,416	6,682,833
2010-2014	16,770,810	5,162,055	21,932,865
2015-2019	10,775,000	2,265,321	13,040,321
2020-2024	4,270,000	258,189	4,528,189
Total	<u>\$ 55,273,037</u>	<u>\$ 17,384,908</u>	<u>\$ 72,657,945</u>

Advance and Current Refundings

During the year, the City, along with Oakland County, issued \$1,120,000 in general obligation bonds with an average interest rate of 2.65 percent. The proceeds of these bonds were used to advance refund \$1,050,000 of outstanding Robert Huber Drain bonds with an average interest rate of 6.40 percent. The net proceeds of \$1,090,575 (after payment of \$33,652 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the long-term obligation for the City. The advance refunding reduced total debt service payments over the next 11 years by approximately \$154,000, which represents an economic gain of approximately \$134,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 2004, \$10,071,153 of bonds outstanding are considered defeased.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

No Commitment Debt - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation bonds under state law, which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Note 8 - Restricted Assets

Assets held at the County represent the City's pro rata share of monies received by the County in excess of the financing requirements of the sewer and drain systems in the amount of \$1,544,709 and \$177,356, respectively, and for the City's unspent portion of bond proceeds held for the construction of a sheriff substation in the amount of \$789,108. The County holds these monies to apply against future payment obligations of the City for future water and sewer system expansion and facility construction, as well as for future drain system projects. Oakland County has invested these monies and allocated interest earned as an increase to the amount due the City.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League risk pool program for workers' compensation claims and the Michigan Municipal League Risk Management Authority risk pool for claims relating to general liability, motor vehicles, and comprehensive property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2004

Note 9 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are reported in the Insurance (Internal Service) Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Estimated liability - Beginning of year	\$ 268,673	\$ 450,501
Estimated claims incurred, including changes in estimates	138,916	(13,939)
Claim payments	(135,187)	(167,889)
Estimated liability - End of year	<u>\$ 272,402</u>	<u>\$ 268,673</u>
Estimated liability for claims reported	\$ 94,402	\$ 90,673
Estimated liability for claims incurred but not reported	<u>178,000</u>	<u>178,000</u>
Total estimated liability	<u>\$ 272,402</u>	<u>\$ 268,673</u>

Note 10 - Defined Contribution Pension Plan

The Rochester Hills Group Pension Plan, which is administered by the City, provides pension benefits for substantially all of its full-time employees, City Council members, and paid-on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees over 18 years of age are eligible to participate after a six-month probationary period. As established by the pension contract, the City contributes 12 percent of employees' gross earnings and employees can match those contributions. In accordance with these requirements, the City contributed \$1,707,510 during the current year and employees contributed \$29,571. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of continuous service.

Note 11 - Other Postemployment Benefits

The City has established a Retiree Health Benefit Program, which is composed of a health savings plan and a supplemental benefit plan. All active full-time employees who have completed their six-month probationary period are eligible for the health savings plan. The supplemental benefit plan is available only to those employees with 10 years of credited service as of March 21, 2001. The City contributes to the health savings plan on a monthly basis a minimum of 3 percent of the compensation of all eligible employees. Employees must contribute the monetary equivalent of up to 16 hours of unused annual leave time over the maximum 40-hour accrual to the health savings plan annually. Voluntary contributions are not permitted. Benefits paid out depend solely on amounts contributed to the plan plus investment earnings. During the year, the City contributed, from various funds, \$496,925 to the health savings plan.

Expenditures for postemployment health care costs for employees participating in the supplemental benefit plan are paid as the applicable costs are incurred. During the year, this amounted to approximately \$19,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Required Supplemental Information

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 9,524,081	\$ 9,401,456	\$ 9,407,184	\$ 5,728
Federal sources	174,110	233,568	246,709	13,141
State sources	5,816,993	5,523,230	5,450,282	(72,948)
Fees and permits	1,642,000	2,312,770	2,350,446	37,676
Fines and forfeitures	109,000	166,640	166,940	300
Charges for services	4,976,007	4,068,428	4,106,897	38,469
Interest income	130,000	270,000	220,598	(49,402)
Other	-	30,020	35,750	5,730
Sales of fixed assets	-	3,120	3,121	1
Transfer from other funds	-	56,102	55,960	(142)
Total revenues	22,372,191	22,065,334	22,043,887	(21,447)
Expenditures				
General government:				
City council	225,447	236,399	208,031	28,368
City administration	3,510,546	3,471,793	3,237,046	234,747
Clerk	1,427,859	1,358,489	1,238,161	120,328
Assessing	1,722,253	1,608,203	1,553,680	54,523
Human resources	679,202	582,030	558,054	23,976
Support services	181,138	155,353	146,820	8,533
Public works:				
City development	511,557	498,056	443,461	54,595
Cemetery	238,567	243,048	233,290	9,758
Public safety:				
Building	2,907,140	2,901,661	2,572,184	329,477
Crossing guard	69,151	67,789	53,404	14,385
Community and economic development:				
Planning	1,264,634	1,339,859	1,252,217	87,642
Community development block grant	144,110	156,890	149,704	7,186
Recreation and culture:				
Parks and recreation	2,994,801	2,820,824	2,721,681	99,143
Historic district commission	12,610	3,000	2,780	220
Transfers to other funds	6,689,543	7,810,133	7,785,750	24,383
Total expenditures	22,578,558	23,253,527	22,156,263	1,097,264
Excess of Expenditures Over Revenue	(206,367)	(1,188,193)	(112,376)	1,075,817
Fund Balance - Beginning of year	7,755,822	10,577,617	10,577,617	-
Fund Balance - End of year	<u>\$ 7,549,455</u>	<u>\$ 9,389,424</u>	<u>\$ 10,465,241</u>	<u>\$ 1,075,817</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Road Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 3,178,267	\$ 3,322,060	\$ 3,260,246	\$ (61,814)
Federal grant		-	97,059	97,059
Charges for services	262,920	222,860	216,491	(6,369)
Interest income	100,000	218,000	169,537	(48,463)
Other	921,000	29,890	9,000	(20,890)
Transfer from other funds	<u>1,571,231</u>	<u>1,546,350</u>	<u>1,546,352</u>	<u>2</u>
Total revenues	6,033,418	5,339,160	5,298,685	(40,475)
Expenditures				
Public works:				
Street maintenance	1,721,887	1,404,810	1,264,118	140,692
Capital outlay	3,584,060	1,966,760	1,624,909	341,851
Transfers to other funds	<u>1,275,377</u>	<u>1,309,965</u>	<u>1,268,753</u>	<u>41,212</u>
Total expenditures	<u>6,581,324</u>	<u>4,681,535</u>	<u>4,157,780</u>	<u>523,755</u>
Excess of Revenue Over (Under)				
Expenditures	(547,906)	657,625	1,140,905	483,280
Fund Balance - Beginning of year	<u>11,434,845</u>	<u>12,681,996</u>	<u>12,681,996</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 10,886,939</u>	<u>\$ 13,339,621</u>	<u>\$ 13,822,901</u>	<u>\$ 483,280</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Road Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 1,197,083	\$ 1,292,688	\$ 1,259,663	\$ (33,025)
Other governmental sources	40,000	40,000	40,000	-
License and permits	36,000	13,000	13,696	696
Charges for services	91,700	132,620	127,893	(4,727)
Special assessment	29,802	59,802	66,711	6,909
Interest income	87,145	57,145	60,378	3,233
Other	300	11,050	(9,254)	(20,304)
Bond proceeds	-	-	-	-
Transfer from other funds	1,294,567	1,329,155	1,287,943	(41,212)
Total revenues	2,776,597	2,935,460	2,847,030	(88,430)
Expenditures				
Public works:				
Street maintenance	3,593,446	2,985,412	2,643,047	342,365
Capital outlay	306,870	327,385	257,299	70,086
Transfers to other funds	768,836	768,836	768,836	-
Total expenditures	4,669,152	4,081,633	3,669,182	412,451
Excess of Expenditures Over Revenue	(1,892,555)	(1,146,173)	(822,152)	324,021
Fund Balance - Beginning of year	2,697,087	3,845,759	3,845,759	-
Fund Balance - End of year	<u>\$ 804,532</u>	<u>\$ 2,699,586</u>	<u>\$ 3,023,607</u>	<u>\$ 324,021</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,828,358	\$ 5,760,359	\$ 5,763,099	\$ 2,740
State sources	3,455	3,850	3,850	-
Federal grant	-	16,670	18,827	2,157
License and permits	-	15,230	15,429	199
Fines and forfeitures	6,000	7,800	8,920	1,120
Charges for services	587,000	789,230	784,097	(5,133)
Interest income	40,000	35,000	36,816	1,816
Other	52,000	81,230	81,738	508
Sales of fixed assets	2,000	50	591	541
Transfer from other funds	-	-	-	-
Total revenue	6,518,813	6,709,419	6,713,367	3,948
Expenditures				
Public safety - Fire	6,442,052	5,721,925	5,470,424	251,501
Transfers to other funds	1,147,392	1,114,687	1,114,687	-
Total expenditures	7,589,444	6,836,612	6,585,111	251,501
Excess of Revenue Over (Under)				
Expenditures	(1,070,631)	(127,193)	128,256	255,449
Fund Balance - Beginning of year	1,682,857	1,269,362	1,269,362	-
Fund Balance - End of year	\$ 612,226	\$ 1,142,169	\$ 1,397,618	\$ 255,449

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Special Police Protection Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 3,796,021	\$ 3,747,517	\$ 3,749,443	\$ 1,926
Federal sources	40,000	74,130	74,000	(130)
State sources	26,000	30,000	29,630	(370)
Other governmental sources	182,411	204,060	204,079	19
Fines and forfeitures	369,100	355,500	344,625	(10,875)
Charges for services	96,400	150,800	155,887	5,087
Interest income	30,000	39,500	41,435	1,935
Other	-	60	59	(1)
Transfer from other funds	2,566,700	2,566,700	2,566,700	-
Total revenues	7,106,632	7,168,267	7,165,858	(2,409)
Expenditures				
Public safety - Police	6,851,062	6,989,214	6,950,897	38,317
Transfers to other funds	377,338	377,338	377,338	-
Total expenditures	7,228,400	7,366,552	7,328,235	38,317
Excess of Expenditures Over Revenue	(121,768)	(198,285)	(162,377)	35,908
Fund Balance - Beginning of year	1,105,733	1,107,756	1,107,756	-
Fund Balance - End of year	<u>\$ 983,965</u>	<u>\$ 909,471</u>	<u>\$ 945,379</u>	<u>\$ 35,908</u>

City of Rochester Hills, Michigan

Note to Required Supplemental Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all City funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as an "other financing sources (uses)." All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in July, each department director submits to the mayor a proposed operating budget for the next fiscal year.
2. The mayor prepares a comprehensive budget, which is presented to the City Council at the first meeting in August.
3. Public hearings are conducted to obtain residents' comments.
4. Prior to November 1, the budget is legally adopted by the City Council.
5. Supplemental appropriations to the City's budget require the approval of the City Council.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City had no significant expenditure budget variances for the year.

Other Supplemental Information

City of Rochester Hills, Michigan

Other Supplemental Information Combining Balance Sheet - All Fund Types Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 8,748,461	\$ 8,728,419	\$ 8,957,740	\$ 26,434,620
Receivables:				
Property tax	1,724,162	2,248,958	-	3,973,120
Accounts	-	5,875	-	5,875
Accrued interest	43,883	13,713	25,467	83,063
Restricted assets - Assets held at County	177,356	350,121	-	527,477
Due from other funds	3,072	-	-	3,072
Long-term receivables - SAD	-	548,645	-	548,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,696,934</u>	<u>\$ 11,895,731</u>	<u>\$ 8,983,207</u>	<u>\$ 31,575,872</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,027	\$ 2,798	\$ 13,585	\$ 35,410
Accrued wages	8,950	-	-	8,950
Deposits and escrows	1,600	-	-	1,600
Deferred revenue	3,232,305	5,143,512	-	8,375,817
Other liabilities	685	-	1,383	2,068
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	3,262,567	5,146,310	14,968	8,423,845
Fund Balances				
Reserved for public improvement	177,356	-	-	177,356
Unreserved, designated for subsequent years budget	1,149,860	250,810	296,500	1,697,170
Unreserved/Undesignated	6,107,151	6,498,611	8,671,739	21,277,501
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	7,434,367	6,749,421	8,968,239	23,152,027
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 10,696,934</u>	<u>\$ 11,895,731</u>	<u>\$ 8,983,207</u>	<u>\$ 31,575,872</u>

City of Rochester Hills, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - All Fund Types Nonmajor Governmental Funds Year Ended December 31, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenue				
Property taxes	\$ 3,132,315	\$ 4,025,474	\$ -	\$ 7,157,789
State grant	4,778	-	-	4,778
Charges for services	468,799	-	644	469,443
Interest income	96,888	107,586	146,532	351,006
Special assessments	-	146,501	-	146,501
Sales of fixed assets	-	-	43,240	43,240
Other	27,515	34,064	(6,289)	55,290
Total revenue	3,730,295	4,313,625	184,127	8,228,047
Expenditures				
Public works	1,024,341	-	-	1,024,341
Parks and recreation	1,308,841	-	-	1,308,841
Capital outlay	451,543	-	1,471,277	1,922,820
Debt service:				
Principal retirement	-	4,353,516	-	4,353,516
Interest and fiscal charges	-	2,298,669	-	2,298,669
Paying agent and other	-	40,630	-	40,630
Total expenditures	2,784,725	6,692,815	1,471,277	10,948,817
Excess of Revenue Over (Under)				
Expenditures	945,570	(2,379,190)	(1,287,150)	(2,720,770)
Other Financing Sources (Uses)				
Issuance of bonds	-	1,120,000	-	1,120,000
Bond premium (discount)	-	8,917	-	8,917
Payment to refund bond escrow agent	-	(1,090,576)	-	(1,090,576)
Transfers in	1,193,216	5,399,308	2,247,889	8,840,413
Transfers out	(448,063)	(55,960)	(4,096,223)	(4,600,246)
Total other financing sources (uses)	745,153	5,381,689	(1,848,334)	4,278,508
Net Change in Fund Balance	1,690,723	3,002,499	(3,135,484)	1,557,738
Fund Balances - Beginning of year	5,743,644	3,746,922	12,103,723	21,594,289
Fund Balances - End of year	<u>\$ 7,434,367</u>	<u>\$ 6,749,421</u>	<u>\$ 8,968,239</u>	<u>\$ 23,152,027</u>

Nonmajor Special Revenue Funds

Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes or to the acquisition of furniture, fixtures, machinery, equipment, or other relatively minor or comparatively short-lived fixed assets.

R.A.R.A. Millage Fund - This fund accounts for the special millage for Rochester-Avon Recreation Authority (R.A.R.A.) activities.

Bike Path Fund - This fund accounts for the special millage used primarily to maintain existing bike pathways.

Solid Waste Management Fund - This fund accounts for solid waste issues.

Public Improvement Fund - This fund accounts for the special millage for drainage improvement.

Older Persons' Millage Fund - This fund accounts for the special millage for the Older Persons' Commission activities.

Stoney Creek Perpetual Care Fund - This fund accounts for monies collected from sales of cemetery lots and spaces. A portion of this money is then deposited in this fund until such time as the cemetery is full. The remaining funds will then be used for ongoing cemetery maintenance.

Tree Fund - This fund accounts for monies collected from tree deposits. The monies can only be used for maintaining and preserving wooded areas.

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund	Bike Path Fund	Solid Waste Management Fund	Public Improvement Fund
Assets				
Cash and investments	\$ 237,634	\$ 492,416	\$ 84,531	\$ 5,167,727
Receivables:				
Property tax	271,672	321,376	-	677,477
Accrued interest		850	-	36,833
Restricted assets - Assets held at County	-	-	-	177,356
Due from other funds	-	-	-	3,072
Total assets	\$ 509,306	\$ 814,642	\$ 84,531	\$ 6,062,465
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 401	\$ 10,371	\$ 8,131
Accrued wages	-	2,083	141	6,182
Deposits and escrows		1,600	-	-
Deferred revenue	509,306	602,487	-	1,270,073
Other liabilities	-	159	11	473
Total liabilities	509,306	606,730	10,523	1,284,859
Fund Balances				
Reserved for public improvement	-	-	-	177,356
Unreserved, designated for subsequent year's budget	-	-	45,200	799,280
Unreserved	-	207,912	28,808	3,800,970
Total fund balances	-	207,912	74,008	4,777,606
Total liabilities and fund balances	\$ 509,306	\$ 814,642	\$ 84,531	\$ 6,062,465

**Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
December 31, 2004**

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Tree Fund	Total Nonmajor Special Revenue Funds
\$ 396,802	\$ 1,019,195	\$ 1,350,156	\$ 8,748,461
453,637	-	-	1,724,162
-	1,639	4,561	43,883
-	-	-	177,356
-	-	-	3,072
\$ 850,439	\$ 1,020,834	\$ 1,354,717	\$ 10,696,934
\$ -	\$ -	\$ 124	\$ 19,027
-	-	544	8,950
-	-	-	1,600
850,439	-	-	3,232,305
-	-	42	685
850,439	-	710	3,262,567
-	-	-	177,356
-	181,000	124,380	1,149,860
-	839,834	1,229,627	6,107,151
-	1,020,834	1,354,007	7,434,367
\$ 850,439	\$ 1,020,834	\$ 1,354,717	\$ 10,696,934

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund	Bike Path Fund	Solid Waste Management Fund	Public Improvement Fund	Older Persons' Millage Fund
Revenue					
Property taxes	\$ 490,384	\$ 577,188	\$ -	\$ 1,246,286	\$ 818,457
State grant		4,778			
Charges for services	-	2,122	-	188,006	-
Interest income	-	3,790	906	69,401	-
Other	-	134	-	27,381	-
Total revenue	490,384	588,012	906	1,531,074	818,457
Expenditures					
Public works	-	122,409	44,732	770,829	-
Parks and recreation	490,384	-	-	-	818,457
Capital outlay	-	-	-	451,543	-
Total expenditures	490,384	122,409	44,732	1,222,372	818,457
Excess of Revenue Over (Under) Expenditures	-	465,603	(43,826)	308,702	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(448,063)	-	-	-
Total other financing sources (uses)	-	(448,063)	-	-	-
Net Change in Fund Balance	-	17,540	(43,826)	308,702	-
Fund Balances - Beginning of year	-	190,372	117,834	4,468,904	-
Fund Balances - End of year	\$ -	\$ 207,912	\$ 74,008	\$ 4,777,606	\$ -

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Special Revenue Funds
Year Ended December 31, 2004**

Stoney Creek Perpetual Care Fund	Tree Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 3,132,315
		4,778
40,929	237,742	468,799
13,371	9,420	96,888
-	-	27,515
54,300	247,162	3,730,295
-	86,371	1,024,341
-	-	1,308,841
-	-	451,543
-	86,371	2,784,725
54,300	160,791	945,570
-	1,193,216	1,193,216
-	-	(448,063)
-	1,193,216	745,153
54,300	1,354,007	1,690,723
966,534	-	5,743,644
<u>\$ 1,020,834</u>	<u>\$ 1,354,007</u>	<u>\$ 7,434,367</u>

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Bike Path Fund		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenue						
Property taxes	\$ 495,850	\$ 490,384	\$ (5,466)	\$ 576,881	\$ 577,188	\$ 307
State grant				1,360	4,778	3,418
Charges for services	-	-	-	1,150	2,122	972
Interest income	-	-	-	3,500	3,790	290
Other	-	-	-	130	134	4
Total revenue	495,850	490,384	(5,466)	583,021	588,012	4,991
Expenditures						
Public works	-	-	-	134,958	122,409	12,549
Parks and recreation	495,850	490,384	5,466	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	495,850	490,384	5,466	134,958	122,409	12,549
Excess of Revenue Over (Under)						
Expenditures	-	-	-	448,063	465,603	17,540
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(448,063)	(448,063)	-
Total other financing sources (uses)	-	-	-	(448,063)	(448,063)	-
Net Change in Fund Balance	-	-	-	-	17,540	17,540
Fund Balances - Beginning of year	-	-	-	190,372	190,372	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 190,372	\$ 207,912	\$ 17,540

Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds
Year Ended December 31, 2004

Solid Waste Management Fund			Public Improvement Fund		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,245,770	\$ 1,246,286	\$ 516
-	-	-	156,180	188,006	31,826
800	906	106	60,000	69,401	9,401
-	-	-	27,350	27,381	31
800	906	106	1,489,300	1,531,074	41,774
54,254	44,732	9,522	874,111	770,829	103,282
-	-	-	-	-	-
-	-	-	704,700	451,543	253,157
54,254	44,732	9,522	1,578,811	1,222,372	356,439
(53,454)	(43,826)	9,628	(89,511)	308,702	398,213
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(53,454)	(43,826)	9,628	(89,511)	308,702	398,213
117,834	117,834	-	4,468,904	4,468,904	-
<u>\$ 64,380</u>	<u>\$ 74,008</u>	<u>\$ 9,628</u>	<u>\$ 4,379,393</u>	<u>\$ 4,777,606</u>	<u>\$ 398,213</u>

(Continued on next page)

City of Rochester Hills, Michigan

	Older Persons' Millage Fund			Stoney Creek Perpetual Care Fund		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenue						
Property taxes	\$ 827,320	\$ 818,457	\$ (8,863)	\$ -	\$ -	\$ -
State grant	-	-	-	35,000	40,929	5,929
Charges for services	-	-	-	8,000	13,371	5,371
Interest income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	827,320	818,457	(8,863)	43,000	54,300	11,300
Expenditures						
Public works	-	-	-	-	-	-
Parks and recreation	827,320	818,457	8,863	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	827,320	818,457	8,863	-	-	-
Excess of Revenue Over (Under)						
Expenditures	-	-	-	43,000	54,300	11,300
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net Change in Fund Balance	-	-	-	43,000	54,300	11,300
Fund Balances - Beginning of year	-	-	-	966,534	966,534	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 1,009,534	\$ 1,020,834	\$ 11,300

Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds
Year Ended December 31, 2004

Tree Fund			Total		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 3,145,821	\$ 3,132,315	\$ (13,506)
			1,360	4,778	3,418
236,600	237,742	1,142	428,930	468,799	39,869
8,000	9,420	1,420	80,300	96,888	16,588
-	-	-	27,480	27,515	35
244,600	247,162	2,562	3,683,891	3,730,295	46,404
85,800	86,371	(571)	1,149,123	1,024,341	124,782
-	-	-	1,323,170	1,308,841	14,329
-	-	-	704,700	451,543	253,157
85,800	86,371	(571)	3,176,993	2,784,725	392,268
158,800	160,791	1,991	506,898	945,570	438,672
1,107,416	1,193,216	(85,800)	1,107,416	1,193,216	(85,800)
-	-	-	(448,063)	(448,063)	-
1,107,416	1,193,216	85,800	659,353	745,153	85,800
1,266,216	1,354,007	87,791	1,166,251	1,690,723	524,472
-	-	-	5,743,644	5,743,644	-
<u>\$ 1,266,216</u>	<u>\$ 1,354,007</u>	<u>\$ 87,791</u>	<u>\$ 6,909,895</u>	<u>\$ 7,434,367</u>	<u>\$ 524,472</u>

Nonmajor Debt Service Funds

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Road Improvement 2001 Fund - This fund accounts for payment of debt created for improvement to roads using Act 175 bonds. Revenue is generated from tax levies and expenditures are made for principal and interest.

Drain Fund - This fund accounts for payment of debt created for drain construction and maintenance. Revenue is generated from tax levies and expenditures are made for principal and interest.

Local Road Improvement 1987, 1988, 1989, 1994, 1995, 2001, and 2002 Funds - These funds account for payment of debt created for the improvement of local roads using Act 175 bonds. Revenue is generated from special assessment collections, and funds received under Act 51 are transferred to these funds from the Local Road Special Revenue Fund for the City's share. Expenditures are made for principal and interest.

OPC Building Bond 2001 Series Fund - This fund accounts for payment of debt created from the construction of a senior citizens building. Revenue is generated from tax levies and expenditures are made for principal and interest.

Refunding General Obligation Bond Series 1998 Fund - This fund accounts for payment of debt created for the refunding of the Park and Museum, Park and Recreation, and the Library Building bonds' called portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

Refunding Michigan Transportation Bond Series 1998 Fund - This fund accounts for payment of debt created for the refunding of the 1987 Series, 1988 Series Act 175, and the 1990 Series Michigan Transportation (Local Road Improvement 1987 Fund, Local Road Improvement 1988 Fund, and Major Road Improvement 1990 Fund) called bonds. Revenue for the 1987 and 1988 Series Act 175 bonds is generated from special assessment collections, and funds received under Act 21 are transferred to this fund from the Local Road and Major Road Special Revenue Funds for the City's portion. Expenditures are made for principal and interest.

Refunding Bond Series 2002 Fund - This fund account for payment of debt created for refunding of Series 1989, 1990A, 1990B, and 1993 bonds (Park and Museum Bonds, Parks and Recreation Bonds, and Library Building Bonds) callable portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

Municipal Building Bond Series 2002 Fund - This fund accounts for payment of debt created from the construction of the municipal building addition. Revenue is generated from tax levies and expenditures are made for principal and interest.

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Road Improvement 2001 Fund	Drain Fund	Local Road Improvement 1987 Fund
Assets				
Cash and investments	\$ 1,188,529	\$ 733,178	\$ 1,165,135	\$ -
Receivables:				
Property tax	-	-	1,024,730	-
Accounts	-	2,582	-	-
Accrued interest	-	2,320	-	-
Restricted assets - Assets held at County	-	-	350,121	-
Long-term receivables - SAD	-	397,152	-	-
Total assets	<u>\$ 1,188,529</u>	<u>\$ 1,135,232</u>	<u>\$ 2,539,986</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,256	\$ -
Deferred revenue	-	396,941	2,283,118	-
Total liabilities	-	396,941	2,284,374	-
Fund Balances				
Unreserved, designated for subsequent year's budget	-	41,330	-	-
Unreserved	1,188,529	696,961	255,612	-
Total fund balances	<u>1,188,529</u>	<u>738,291</u>	<u>255,612</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,188,529</u>	<u>\$ 1,135,232</u>	<u>\$ 2,539,986</u>	<u>\$ -</u>

**Debt Service Funds
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Local Road Improvement 1988 Fund	Local Road Improvement 1989 Fund	Local Road Improvement 1994 Fund	Local Road Improvement 1995 Fund	OPC Building Bond 2001 Series Fund	Refunding General Obligation Bond Series 1998 Fund	Refunding Michigan Transportation Bond Series 1998 Fund
\$ -	\$ -	\$ 809,260	\$ 668,868	\$ 466,780	\$ 254,248	\$ 33,814
-	-	-	-	394,742	98,728	-
-	-	1,563	1,730	-	-	-
-	-	5,535	4,611	-	-	-
-	-	-	-	-	-	-
-	-	59,124	92,369	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,482</u>	<u>\$ 767,578</u>	<u>\$ 861,522</u>	<u>\$ 352,976</u>	<u>\$ 33,814</u>
\$ -	\$ -	\$ -	\$ -	\$ 460	\$ 126	\$ -
-	-	59,125	90,691	746,013	186,584	-
-	-	59,125	90,691	746,473	186,710	-
-	-	100,080	109,400	-	-	-
-	-	716,277	567,487	115,049	166,266	33,814
-	-	816,357	676,887	115,049	166,266	33,814
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,482</u>	<u>\$ 767,578</u>	<u>\$ 861,522</u>	<u>\$ 352,976</u>	<u>\$ 33,814</u>

(Continued on next page)

City of Rochester Hills, Michigan

Debt Service Funds Combining Balance Sheet Nonmajor Governmental Funds (Continued) December 31, 2004

	Refunding Bond Series 2002	Municipal Building Bond Series 2002 Fund	Local Road Improvement 2002 Fund	Total Nonmajor Debt Service Funds
Assets				
Cash and investments	\$ 1,173,156	\$ 34,696	\$ 2,200,755	\$ 8,728,419
Receivables:				2,248,958
Property tax	730,758	-	-	5,875
Accounts	-	-	-	13,713
Accrued interest	1,247	-	-	350,121
Restricted assets - Assets held at County	-	-	-	548,645
Long-term receivables - SAD	-	-	-	-
Total assets	\$ 1,905,161	\$ 34,696	\$ 2,200,755	\$ 11,895,731
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 956	\$ -	\$ -	\$ 2,798
Deferred revenue	1,381,040	-	-	5,143,512
Total liabilities	1,381,996	-	-	5,146,310
Fund Balances				
Unreserved, designated for subsequent year's budget	-	-	-	250,810
Unreserved	523,165	34,696	2,200,755	6,498,611
Total fund balances	523,165	34,696	2,200,755	6,749,421
Total liabilities and fund balances	\$ 1,905,161	\$ 34,696	\$ 2,200,755	\$ 11,895,731

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Road Improvement 2001 Fund	Drain Fund	Local Road Improvement 1987 Fund	Local Road Improvement 1988 Fund
Revenue					
Property taxes	\$ -	\$ -	\$ 1,802,050	\$ -	\$ -
Investment earnings	2,404	32,731	7,046	-	300
Special assessments	-	65,436	-	-	-
Other	-	-	34,064	-	-
Total revenue	2,404	98,167	1,843,160	-	300
Expenditures					
Principal retirement	75,000	125,000	1,353,516	-	-
Interest and fiscal charges	95,750	99,800	623,450	-	-
Miscellaneous	-	-	39,368	-	-
Total expenditures	170,750	224,800	2,016,334	-	-
Excess of Revenue Over (Under)					
Expenditures	(168,346)	(126,633)	(173,174)	-	300
Other Financing Sources (Uses)					
Issuance of bonds	-	-	1,120,000	-	-
Bond premium (discount)	-	-	8,917	-	-
Payment to refund bond escrow agent	-	-	(1,090,576)	-	-
Transfers in	1,304,216	220,808	-	-	-
Transfers out	-	-	-	-	(55,960)
Total other financing sources (uses)	1,304,216	220,808	38,341	-	(55,960)
Net Change in Fund Balance	1,135,870	94,175	(134,833)	-	(55,660)
Fund Balances - Beginning of year	52,659	644,116	390,445	-	55,660
Fund Balances - End of year	<u>\$ 1,188,529</u>	<u>\$ 738,291</u>	<u>\$ 255,612</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004

Local Road Improvement 1989 Fund	Local Road Improvement 1994 Fund	Local Road Improvement 1995 Fund	OPC Building Bond 2001 Series Fund	Refunding General Obligation Bond Series 1998 Fund	Refunding Michigan Transportation Bond Series 1998 Fund
\$ -	\$ -	\$ -	\$ 667,778	\$ 181,320	\$ -
1,698	18,965	18,820	3,238	2,417	328
13,027	32,347	35,691	-	-	-
-	-	-	-	-	-
14,725	51,312	54,511	671,016	183,737	328
100,000	150,000	130,000	300,000	30,000	440,000
6,800	49,243	56,695	409,025	159,495	40,810
-	-	-	306	123	-
106,800	199,243	186,695	709,331	189,618	480,810
(92,075)	(147,931)	(132,184)	(38,315)	(5,881)	(480,482)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
67,691	65,775	41,050	-	-	480,810
-	-	-	-	-	-
67,691	65,775	41,050	-	-	480,810
(24,384)	(82,156)	(91,134)	(38,315)	(5,881)	328
24,384	898,513	768,021	153,364	172,147	33,486
\$ -	\$ 816,357	\$ 676,887	\$ 115,049	\$ 166,266	\$ 33,814

(Continued on next page)

City of Rochester Hills, Michigan

Debt Service Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2004

	Refunding Bond Series 2002	Municipal Building Bond Series 2002 Fund	Local Road Improvement 2002 Fund	Total Nonmajor Debt Service Funds
Revenue				
Property taxes	\$ 1,374,326	\$ -	\$ -	\$ 4,025,474
Investment earnings	15,672	345	3,622	107,586
Special assessments	-	-	-	146,501
Other	-	-	-	34,064
Total revenue	1,389,998	345	3,622	4,313,625
Expenditures				
Principal retirement	1,200,000	300,000	150,000	4,353,516
Interest and fiscal charges	181,175	400,288	176,138	2,298,669
Miscellaneous	833	-	-	40,630
Total expenditures	1,382,008	700,288	326,138	6,692,815
Excess of Revenue Over (Under) Expenditures	7,990	(699,943)	(322,516)	(2,379,190)
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	1,120,000
Bond premium (discount)	-	-	-	8,917
Payment to refund bond escrow agent	-	-	-	(1,090,576)
Transfers in	-	700,284	2,518,674	5,399,308
Transfers out	-	-	-	(55,960)
Total other financing sources (uses)	-	700,284	2,518,674	5,381,689
Net Change in Fund Balance	7,990	341	2,196,158	3,002,499
Fund Balances - Beginning of year	515,175	34,355	4,597	3,746,922
Fund Balances - End of year	\$ 523,165	\$ 34,696	\$ 2,200,755	\$ 6,749,421

City of Rochester Hills, Michigan

	Road Improvement 2001			Local Road Improvement 2001		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	385	2,404	2,019	31,801	32,731	930
Special assessments	-	-	-	65,220	65,436	216
Miscellaneous	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-	-
Transfers in	1,307,040	1,304,216	(2,824)	220,887	220,808	(79)
Other	-	-	-	-	-	-
Total revenue	1,307,425	1,306,620	(805)	317,908	318,975	1,067
Expenditures						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	75,000	75,000	-	125,000	125,000	-
Interest and fiscal charges	95,750	95,750	-	99,800	99,800	-
Miscellaneous	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total expenditures	170,750	170,750	-	224,800	224,800	-
Excess of Revenue Over (Under) Expenditures	1,136,675	1,135,870	(805)	93,108	94,175	1,067
Fund Balances - Beginning of year	52,659	52,659	-	644,116	644,116	-
Fund Balances - End of year	\$ 1,189,334	\$ 1,188,529	\$ (805)	\$ 737,224	\$ 738,291	\$ 1,067

Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds
Year Ended December 31, 2004

Drain Fund			Local Road Improvement 1987		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,801,130	\$ 1,802,050	\$ 920	\$ -	\$ -	\$ -
6,300	7,046	746	-	-	-
-	-	-	-	-	-
34,060	34,064	4	-	-	-
1,120,000	1,120,000	-	-	-	-
-	8,917	8,917	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,961,490	2,972,077	10,587	-	-	-
1,090,576	1,090,576	-	-	-	-
1,353,516	1,353,516	-	-	-	-
627,162	623,450	3,712	-	-	-
42,350	39,368	2,982	-	-	-
-	-	-	-	-	-
3,113,604	3,106,910	6,694	-	-	-
(152,114)	(134,833)	17,281	-	-	-
390,445	390,445	-	-	-	-
\$ 238,331	\$ 255,612	\$ 17,281	\$ -	\$ -	\$ -

(Continued on next page)

City of Rochester Hills, Michigan

	Local Road Improvement 1988			Local Road Improvement 1989		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	442	300	(142)	1,696	1,698	2
Special assessments	-	-	-	13,028	13,027	(1)
Miscellaneous	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-	-
Transfers in	-	-	-	92,076	67,691	(24,385)
Other	-	-	-	-	-	-
Total revenue	442	300	(142)	106,800	82,416	(24,384)
Expenditures						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	-	-	-	100,000	100,000	-
Interest and fiscal charges	-	-	-	6,800	6,800	-
Miscellaneous	-	-	-	-	-	-
Transfers out	56,102	55,960	142	-	-	-
Total expenditures	56,102	55,960	142	106,800	106,800	-
Excess of Revenue Over (Under) Expenditures	(55,660)	(55,660)	-	-	(24,384)	(24,384)
Fund Balances - Beginning of year	55,660	55,660	-	24,384	24,384	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 24,384	\$ -	\$ (24,384)

Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds (Continued)
Year Ended December 31, 2004

Local Road Improvement 1994			Local Road Improvement 1995		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,430	18,965	2,535	16,469	18,820	2,351
28,470	32,347	3,877	31,906	35,691	3,785
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
65,775	65,775	-	41,050	41,050	-
-	-	-	-	-	-
110,675	117,087	6,412	89,425	95,561	6,136
-	-	-	-	-	-
150,000	150,000	-	130,000	130,000	-
49,243	49,243	-	56,695	56,695	-
-	-	-	-	-	-
-	-	-	-	-	-
199,243	199,243	-	186,695	186,695	-
(88,568)	(82,156)	6,412	(97,270)	(91,134)	6,136
898,513	898,513	-	768,021	768,021	-
\$ 809,945	\$ 816,357	\$ 6,412	\$ 670,751	\$ 676,887	\$ 6,136

(Continued on next page)

City of Rochester Hills, Michigan

	OPC Building Bond 2001 Series			Refunding General Obligation Bond Series		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenue						
Property taxes	\$ 667,463	\$ 667,778	\$ 315	\$ 181,761	\$ 181,320	\$ (441)
Investment earnings	2,900	3,238	338	2,000	2,417	417
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	670,363	671,016	653	183,761	183,737	(24)
Expenditures						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	300,000	300,000	-	30,000	30,000	-
Interest and fiscal charges	409,025	409,025	-	159,495	159,495	-
Miscellaneous	1,058	306	752	200	123	77
Transfers out	-	-	-	-	-	-
Total expenditures	710,083	709,331	752	189,695	189,618	77
Excess of Revenue Over (Under)						
Expenditures	(39,720)	(38,315)	1,405	(5,934)	(5,881)	53
Fund Balances - Beginning of year	153,364	153,364	-	172,147	172,147	-
Fund Balances - End of year	\$ 113,644	\$ 115,049	\$ 1,405	\$ 166,213	\$ 166,266	\$ 53

Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds (Continued)
Year Ended December 31, 2004

Refunding Michigan Transportation Bond Series			Refunding Bond Series 2002		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,373,627	\$ 1,374,326	\$ 699
240	328	88	13,765	15,672	1,907
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
480,810	480,810	-	-	-	-
-	-	-	-	-	-
481,050	481,138	88	1,387,392	1,389,998	2,606
-	-	-	-	-	-
440,000	440,000	-	1,200,000	1,200,000	-
40,810	40,810	-	181,150	181,175	(25)
-	-	-	1,000	833	167
-	-	-	-	-	-
480,810	480,810	-	1,382,150	1,382,008	142
240	328	88	5,242	7,990	2,748
33,486	33,486	-	515,175	515,175	-
\$ 33,726	\$ 33,814	\$ 88	\$ 520,417	\$ 523,165	\$ 2,748

(Continued on next page)

City of Rochester Hills, Michigan

	Municipal Building Bond Series 2002			Local Road Improvement 2002		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	300	345	45	20	3,622	3,602
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-	-
Transfers in	700,284	700,284	-	2,523,216	2,518,674	(4,542)
Other	-	-	-	-	-	-
Total revenue	700,584	700,629	45	2,523,236	2,522,296	(940)
Expenditures						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	300,000	300,000	-	150,000	150,000	-
Interest and fiscal charges	400,284	400,288	(4)	176,136	176,138	(2)
Miscellaneous	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total expenditures	700,284	700,288	(4)	326,136	326,138	(2)
Excess of Revenue Over (Under)						
Expenditures	300	341	41	2,197,100	2,196,158	(942)
Fund Balances - Beginning of year	34,355	34,355	-	4,597	4,597	-
Fund Balances - End of year	\$ 34,655	\$ 34,696	\$ 41	\$ 2,201,697	\$ 2,200,755	\$ (942)

Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds (Continued)
Year Ended December 31, 2004

Total		Variance Favorable (Unfavorable)
Amended Budget	Actual	
\$ 4,023,981	\$ 4,025,474	\$ 1,493
92,748	107,586	14,838
138,624	146,501	7,877
34,060	34,064	4
1,120,000	1,120,000	-
-	8,917	8,917
5,431,138	5,399,308	(31,830)
-	-	-
10,840,551	10,841,850	1,299
1,090,576	1,090,576	-
4,353,516	4,353,516	-
2,302,350	2,298,669	3,681
44,608	40,630	3,978
56,102	55,960	142
7,847,152	7,839,351	7,801
2,993,399	3,002,499	9,100
3,746,922	3,746,922	-
<u>\$ 6,740,321</u>	<u>\$ 6,749,421</u>	<u>\$ 9,100</u>

Nonmajor Capital Projects Funds

Capital Projects Funds account for the purchase or construction of major capital facilities that are not financed by Proprietary Funds.

Capital Improvement Fund - This fund accounts for the capital purchases and construction by the City. Revenue is transferred from other City funds, or generated via grants or bond proceeds. Expenditures incurred for the purchases or development are recorded in this fund.

Pedestrian Pathway Construction Fund - This fund accounts for monies received and expended in connection with the Series 1982 General Obligation Bond issuance for the purpose of constructing pedestrian pathways.

OPC Building Construction Fund - This fund accounts for monies received and expended for the purpose of constructing a senior citizen activity building. Revenue was generated from bond proceeds. Expenditures are for purchase of land, development, and construction of a building.

Road Improvement 2001 Construction Fund - This fund accounts for monies received and expended for the purpose of constructing and improving roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of roads.

Local Road SAD 2001 Construction Fund - This fund accounts for monies received and expended for the purpose of constructing local roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of local roads.

Road Improvement 2002 Construction Fund - This fund accounts for monies received and expended for the purpose of constructing and improving roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of roads.

Fire Apparatus Fund - This fund accounts for the purchase and replacement of various major fire department capital apparatuses.

Municipal Building Construction Fund - This fund accounts for monies received and expended for the purpose of constructing the addition to the City's municipal building. Revenue was generated from bond proceeds. Expenditures are for construction of the buildings addition.

City of Rochester Hills, Michigan

	Capital Improvement Fund	Pedestrian Pathway Construction Fund	OPC Building Construction Fund	Road Improvement 2001 Construction Fund	Local Road SAD 2001 Construction Fund
Assets					
Cash and investments	\$ 1,406,344	\$ 2,073,178	\$ 4,580	\$ -	\$ -
Receivables - Accrued interest	3,314	2,487	-	-	-
Total assets	<u>\$ 1,409,658</u>	<u>\$ 2,075,665</u>	<u>\$ 4,580</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 5,152	\$ -	\$ -	\$ -
Other liabilities	-	-	1,383	-	-
Total liabilities	-	5,152	1,383	-	-
Fund Balances					
Unreserved, designated for subsequent year's budget	-	-	-	-	-
Unreserved and undesignated	1,409,658	2,070,513	3,197	-	-
Total fund balances	<u>1,409,658</u>	<u>2,070,513</u>	<u>3,197</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,409,658</u>	<u>\$ 2,075,665</u>	<u>\$ 4,580</u>	<u>\$ -</u>	<u>\$ -</u>

**Capital Projects Funds
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Road Improvement 2002 Construction Fund	Fire Apparatus Fund	Municipal Building Construction Fund	Total Nonmajor Capital Projects Funds
\$ -	\$ 4,576,489	\$ 897,149	\$ 8,957,740
-	19,666	-	25,467
<u>\$ -</u>	<u>\$ 4,596,155</u>	<u>\$ 897,149</u>	<u>\$ 8,983,207</u>
\$ -	\$ -	\$ 8,433	\$ 13,585
-	-	-	1,383
-	-	8,433	14,968
-	296,500	-	296,500
-	4,299,655	888,716	8,671,739
-	4,596,155	888,716	8,968,239
<u>\$ -</u>	<u>\$ 4,596,155</u>	<u>\$ 897,149</u>	<u>\$ 8,983,207</u>

City of Rochester Hills, Michigan

	Capital Improvement Fund	Pedestrian Pathway Construction Fund	OPC Building Construction Fund	Road Improvement 2001 Construction Fund	Local Road SAD 2001 Construction Fund
Revenue					
Charge for services	\$ -	\$ 644	\$ -	\$ -	\$ -
Investment earnings	11,621	23,518	1,691	11,675	380
Sales of fixed assets	-	-	-	-	-
Other	-	2,855	-	-	-
Total revenue	11,621	27,017	1,691	11,675	380
Expenditures - Capital outlay	-	219,481	160,597	-	424
Excess of Revenue Over (Under) Expenditures	11,621	(192,464)	(158,906)	11,675	(44)
Other Financing Sources (Uses)					
Transfers in	766,215	448,063	-	-	-
Transfers out	(418,740)	-	-	(1,133,466)	(94,483)
Total other financing sources (uses)	347,475	448,063	-	(1,133,466)	(94,483)
Net Change in Fund Balance	359,096	255,599	(158,906)	(1,121,791)	(94,527)
Fund Balances - Beginning of year	1,050,562	1,814,914	162,103	1,121,791	94,527
Fund Balances - End of year	\$ 1,409,658	\$ 2,070,513	\$ 3,197	\$ -	\$ -

Capital Projects Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004

Road Improvement 2002 Construction Fund	Fire Apparatus Fund	Municipal Building Construction Fund	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ 644
22,361	62,269	13,017	146,532
-	43,240	-	43,240
-	(9,144)	-	(6,289)
22,361	96,365	13,017	184,127
28,993	137,246	924,536	1,471,277
(6,632)	(40,881)	(911,519)	(1,287,150)
-	1,033,611	-	2,247,889
(2,192,538)	(256,996)	-	(4,096,223)
(2,192,538)	776,615	-	(1,848,334)
(2,199,170)	735,734	(911,519)	(3,135,484)
2,199,170	3,860,421	1,800,235	12,103,723
\$ -	\$ 4,596,155	\$ 888,716	\$ 8,968,239

City of Rochester Hills, Michigan

	Capital Improvement Fund			Pedestrian Pathway Construction		
	Amended Budget	Actual	Variance	Amended Budget	Actual	Variance
Revenue						
Charge for services	\$ -	\$ -	\$ -	\$ 500	\$ 644	\$ 144
Investment earnings	9,500	11,621	2,121	15,640	23,518	7,878
Transfers in	766,215	766,215	-	448,063	448,063	-
Sales of fixed assets	-	-	-	-	-	-
Other	-	-	-	2,800	2,855	55
Total revenue	775,715	777,836	2,121	467,003	475,080	8,077
Expenditures						
Capital outlay	-	-	-	224,680	219,481	5,199
Transfers out	418,740	418,740	-	-	-	-
Total expenditures	418,740	418,740	-	224,680	219,481	5,199
Excess of Revenue Over (Under)						
Expenditures	356,975	359,096	2,121	242,323	255,599	13,276
Fund Balances - Beginning of year	1,050,562	1,050,562	-	1,814,914	1,814,914	-
Fund Balances - End of year	\$ 1,407,537	\$ 1,409,658	\$ 2,121	\$ 2,057,237	\$ 2,070,513	\$ 13,276

Capital Projects Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds
Year Ended December 31, 2004

OPC Building Construction			Road Improvement 2001 Construction			Local Road SAD 2001 Construction		
Amended Budget	Actual	Variance	Amended Budget	Actual	Variance	Amended Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,900	1,691	(209)	14,499	11,675	(2,824)	535	380	(155)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,900	1,691	(209)	14,499	11,675	(2,824)	535	380	(155)
162,104	160,597	1,507	-	-	-	500	424	76
-	-	-	1,136,290	1,133,466	2,824	94,562	94,483	79
162,104	160,597	1,507	1,136,290	1,133,466	2,824	95,062	94,907	155
(160,204)	(158,906)	1,298	(1,121,791)	(1,121,791)	-	(94,527)	(94,527)	-
162,103	162,103	-	1,121,791	1,121,791	-	94,527	94,527	-
<u>\$ 1,899</u>	<u>\$ 3,197</u>	<u>\$ 1,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

City of Rochester Hills, Michigan

	Road Improvement 2002 Construction			Fire Apparatus Fund		
	Amended Budget	Actual	Variance	Amended Budget	Actual	Variance
Revenue						
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	26,905	22,361	(4,544)	50,330	62,269	11,939
Transfers in	-	-	-	1,033,611	1,033,611	-
Sales of fixed assets	-	-	-	43,240	43,240	-
Other	-	-	-	6,100	(9,144)	(15,244)
Total revenue	26,905	22,361	(4,544)	1,133,281	1,129,976	(3,305)
Expenditures						
Capital outlay	28,995	28,993	2	137,300	137,246	54
Transfers out	2,197,080	2,192,538	4,542	256,996	256,996	-
Total expenditures	2,226,075	2,221,531	4,544	394,296	394,242	54
Excess of Revenue Over (Under)						
Expenditures	(2,199,170)	(2,199,170)	-	738,985	735,734	(3,251)
Fund Balances - Beginning of year	2,199,170	2,199,170	-	3,860,421	3,860,421	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 4,599,406	\$ 4,596,155	\$ (3,251)

Capital Projects Funds
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances - Amended Budget and Actual
Nonmajor Governmental Budgeted Funds (Continued)
Year Ended December 31, 2004

Municipal Building Construction			Total		
Amended Budget	Actual	Variance	Amended Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 500	\$ 644	\$ 144
11,000	13,017	2,017	130,309	146,532	16,223
-	-	-	2,247,889	2,247,889	-
-	-	-	43,240	43,240	-
-	-	-	8,900	(6,289)	(15,189)
11,000	13,017	2,017	2,430,838	2,432,016	1,178
887,882	924,536	(36,654)	1,441,461	1,471,277	(29,816)
-	-	-	4,103,668	4,096,223	7,445
887,882	924,536	(36,654)	5,545,129	5,567,500	(22,371)
(876,882)	(911,519)	(34,637)	(3,114,291)	(3,135,484)	(21,193)
1,800,235	1,800,235	-	12,103,723	12,103,723	-
<u>\$ 923,353</u>	<u>\$ 888,716</u>	<u>\$ (34,637)</u>	<u>\$ 8,989,432</u>	<u>\$ 8,968,239</u>	<u>\$ (21,193)</u>

Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one City department or agency to other departments or agencies primarily on a cost-reimbursed basis.

Building and Grounds Fund - This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer building.

Management Information Systems Fund - This fund accounts for the costs of data processing services provided to various City departments. The actual cost of materials and services is reimbursed to this fund by the user departments.

Fleet Equipment Fund - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments.

Insurance Fund - This fund accounts for the City's self-insured premium payments for general liability, fleet, and property insurance. Recorded in this fund are the reserves and the estimated IBNR liability.

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Net Assets December 31, 2004

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 3,873,383	\$ 3,063,604	\$ 3,908,288	\$ 489,508	\$ 11,334,783
Accrued interest receivable	10,669	13,833	11,820	-	36,322
Due from other funds	1,049	300	-	-	1,349
Other	38,055	-	-	37,130	75,185
Total current assets	3,923,156	3,077,737	3,920,108	526,638	11,447,639
Restricted assets - Assets held at County	789,108	-	-	-	789,108
Property, plant, and equipment:					
Land	17,432,366	-	-	-	17,432,366
Land improvements	2,596,717	-	-	-	2,596,717
Building	28,385,449	-	-	-	28,385,449
Furniture	1,746,345	2,728,518	-	-	4,474,863
Machinery and equipment	438,819	-	2,014,034	-	2,452,853
Vehicles	-	-	4,700,770	-	4,700,770
Total property, plant, and equipment	50,599,696	2,728,518	6,714,804	-	60,043,018
Less accumulated depreciation	(7,590,552)	(2,367,467)	(3,999,484)	-	(13,957,503)
Net property, plant, and equipment	43,009,144	361,051	2,715,320	-	46,085,515
Total assets	47,721,408	3,438,788	6,635,428	526,638	58,322,262
Liabilities					
Current liabilities:					
Accounts payable	171,674	52,643	9,138	-	233,455
Retainage payable	34,116	-	-	-	34,116
Accrued wages	6,974	8,164	8,289	-	23,427
Accrued vacation	10,530	37,822	26,961	-	75,313
Accrued annual leave	10,035	19,989	14,814	-	44,838
Due to other funds	-	-	146	-	146
Payable related to capital lease obligations:					
Current portion of capital lease obligations	175,000	-	-	-	175,000
Accrued interest	65,696	-	-	-	65,696
Other liabilities	534	852	634	272,402	274,422
Total current liabilities	474,559	119,470	59,982	272,402	926,413
Long-term liabilities - Obligations under capital lease - Less current portion	4,675,000	-	-	-	4,675,000
Total liabilities	5,149,559	119,470	59,982	272,402	5,601,413
Net Assets					
Invested in capital assets - Net of related debt	38,948,252	361,051	2,715,320	-	42,024,623
Unrestricted	3,623,597	2,958,267	3,860,126	254,236	10,696,226
Total net assets	\$ 42,571,849	\$ 3,319,318	\$ 6,575,446	\$ 254,236	\$ 52,720,849

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Operating Revenue					
Charges for services	\$ 2,253,392	\$ 1,601,903	\$ 1,815,194	\$ 607,600	\$ 6,278,089
Miscellaneous revenue	<u>4,424</u>	<u>12,547</u>	<u>2,572</u>	<u>-</u>	<u>19,543</u>
Total operating revenue	2,257,816	1,614,450	1,817,766	607,600	6,297,632
Operating Expenses					
Salaries and wages	580,289	677,860	663,529	-	1,921,678
Public utilities	587,607	-	-	-	587,607
Professional services	610,222	195,192	303,864	599,630	1,708,908
Materials and supplies	92,212	159,404	14,594	-	266,210
Repairs and maintenance	96,311	164,720	264,374	-	525,405
Rentals	86,749	92,392	41,846	-	220,987
Depreciation and amortization	<u>1,473,119</u>	<u>561,438</u>	<u>633,401</u>	<u>-</u>	<u>2,667,958</u>
Total operating expenses	<u>3,526,509</u>	<u>1,851,006</u>	<u>1,921,608</u>	<u>599,630</u>	<u>7,898,753</u>
Operating Income (Loss)	(1,268,693)	(236,556)	(103,842)	7,970	(1,601,121)
Nonoperating Revenues (Expenses)					
Investment income	45,934	45,891	48,195	6,828	146,848
Net depreciation in fair value of investments	(71)	-	(1,986)	-	(2,057)
Interest expense	(200,863)	-	-	-	(200,863)
Gain on sale of assets	<u>516</u>	<u>-</u>	<u>61,036</u>	<u>-</u>	<u>61,552</u>
Total nonoperating revenues (expenses)	<u>(154,484)</u>	<u>45,891</u>	<u>107,245</u>	<u>6,828</u>	<u>5,480</u>
Income (Loss) - Before capital contributions and transfers	(1,423,177)	(190,665)	3,403	14,798	(1,595,641)
Capital Contributions	901,321	-	-	-	901,321
Transfers to/from Other Funds	<u>1,573,242</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>1,618,242</u>
Net Income (Loss)	1,051,386	(190,665)	48,403	14,798	923,922
Net Assets - Beginning of year	<u>41,520,463</u>	<u>3,509,983</u>	<u>6,527,043</u>	<u>239,438</u>	<u>51,796,927</u>
Net Assets - End of year	<u>\$ 42,571,849</u>	<u>\$ 3,319,318</u>	<u>\$ 6,575,446</u>	<u>\$ 254,236</u>	<u>\$ 52,720,849</u>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows Year Ended December 31, 2004

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,360,173	\$ 1,601,903	\$ 1,815,194	\$ 607,600	\$ 6,384,870
Cash payments for goods and services	(1,972,609)	(621,491)	(633,162)	(570,348)	(3,797,610)
Cash payments to employees	(605,465)	(687,599)	(670,167)	-	(1,963,231)
Other operating revenue	4,424	12,547	2,572	-	19,543
Net cash provided by (used in) operating activities	(213,477)	305,360	514,437	37,252	643,572
Cash Flows from Noncapital Financing Activities					
Operating transfers in from other funds	1,573,242	-	45,000	-	1,618,242
Repayments to (borrowings from) other funds	(10,277)	(300)	44	8,882	(1,651)
Net cash provided by (used in) noncapital financing activities	1,562,965	(300)	45,044	8,882	1,616,591
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	-	-	61,036	-	61,036
Payment for capital acquisitions	(314,532)	(273,996)	(197,743)	-	(786,271)
Principal payments	(175,000)	-	-	-	(175,000)
Interest paid	(202,614)	-	-	-	(202,614)
Net cash used in capital and related financing activities	(692,146)	(273,996)	(136,707)	-	(1,102,849)
Cash Flows from Investing Activities					
Purchase of investment securities	(1,198,464)	(3,512,488)	(2,674,942)	-	(7,385,894)
Proceeds from maturities of investment securities	700,071	3,015,368	1,667,473	-	5,382,912
Receipts of interest and dividends	38,471	34,987	37,242	6,828	117,528
Net cash provided by (used in) investing activities	(459,922)	(462,133)	(970,227)	6,828	(1,885,454)
Net Increase (Decrease) in Cash and Cash Equivalents	197,420	(431,069)	(547,453)	52,962	(728,140)
Cash and Cash Equivalents - January 1, 2004	<u>2,477,570</u>	<u>973,806</u>	<u>1,782,785</u>	<u>436,546</u>	<u>5,670,707</u>
Cash and Cash Equivalents - December 31, 2004	<u>\$ 2,674,990</u>	<u>\$ 542,737</u>	<u>\$ 1,235,332</u>	<u>\$ 489,508</u>	<u>\$ 4,942,567</u>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows (Continued) Year Ended December 31, 2004

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (1,268,693)	\$ (236,556)	\$ (103,842)	\$ 7,970	(1,601,121)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	1,473,119	561,438	633,401	-	2,667,958
Decrease in other assets	106,781	-	-	-	106,781
Increase (decrease) in accounts payable and other accrued expenses	(524,684)	(19,522)	(15,122)	29,282	(530,046)
Total adjustments	1,055,216	541,916	618,279	29,282	2,244,693
Net cash provided by (used in) operating activities	<u>\$ (213,477)</u>	<u>\$ 305,360</u>	<u>\$ 514,437</u>	<u>\$ 37,252</u>	<u>\$ 643,572</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. Agency Funds, which are custodial in nature (assets equal liabilities), do not involve measurement of results of operations.

Agency Funds

Trust and Agency Fund - This fund accounts for advance tax payments, delinquent taxes, and licensing recorded here until received and/or disbursed.

Tax Collection Fund - This fund accounts for the collection and distribution of current City tax levies.

Payroll Fund - This fund accounts for monies aggregated for payroll and payroll-related liabilities.

City of Rochester Hills, Michigan

Fiduciary Funds Combining Statement of Fiduciary Assets and Liabilities December 31, 2004

	Trust and Agency Fund	Tax Collection Fund	Payroll Fund	Total
Assets - Cash and investments	<u>\$ 5,864</u>	<u>\$ 4,877,603</u>	<u>\$ 37,857</u>	<u>\$ 4,921,324</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 34,766	\$ 34,766
Due to other governmental units	5,864	4,809,611	3,091	4,818,566
Accrued and other liabilities	-	67,992	-	67,992
Total liabilities	<u>\$ 5,864</u>	<u>\$ 4,877,603</u>	<u>\$ 37,857</u>	<u>\$ 4,921,324</u>

City of Rochester Hills, Michigan

Agency Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Trust and Agency Fund				
Assets - Cash	\$ 22,288	\$ 1,433,674	\$ 1,450,098	\$ 5,864
Liabilities				
Accounts payable	\$ -	\$ 244,662	\$ 244,662	\$ -
Due to other governmental units	22,288	988,963	1,005,387	5,864
Total liabilities	\$ 22,288	\$ 1,233,625	\$ 1,250,049	\$ 5,864
Tax Collection Fund				
Assets - Cash	\$ 6,085,250	\$ 110,407,593	\$ 111,615,240	\$ 4,877,603
Liabilities				
Accounts payable	\$ -	\$ 107,952	\$ 107,952	\$ -
Due to other governmental/component units	6,029,810	5,657,121	6,877,320	4,809,611
Other liabilities	55,440	271,220	258,668	67,992
Total liabilities	\$ 6,085,250	\$ 6,036,293	\$ 7,243,940	\$ 4,877,603
Payroll Fund				
Assets				
Cash	\$ (31,977)	\$ 17,410,586	\$ 17,340,752	\$ 37,857
Other assets	42,054	-	42,054	-
Total assets	\$ 10,077	\$ 17,410,586	\$ 17,382,806	\$ 37,857
Liabilities				
Accounts payable	\$ 6,082	\$ 1,494,922	\$ 1,466,238	\$ 34,766
Due to other governmental/component units	3,995	3,908,510	3,909,414	3,091
Total liabilities	\$ 10,077	\$ 5,403,432	\$ 5,375,652	\$ 37,857

Statistical Section

City of Rochester Hills, Michigan

	1995	1996	1997	1998
General government	\$ 3,990,756	\$ 4,717,139	\$ 4,705,396	\$ 5,122,655
Public service	463,638	383,426	455,523	1,336,203
Public safety	7,708,848	8,034,562	9,106,139	9,893,780
Community and economic development	698,289	397,108	619,115	724,544
Streets	3,775,606	5,520,477	6,501,058	4,061,564
Recreation and culture	2,347,965	2,386,923	2,691,500	2,731,488
Capital outlay	2,649,823	1,777,995	1,130,422	1,955,086
Debt:				
Principal	2,061,264	2,395,579	2,593,804	2,510,937
Interest	2,567,516	2,637,372	2,417,111	2,036,342
Miscellaneous	29,604	5,409	68,873	150,751
Total	<u>\$ 26,293,309</u>	<u>\$ 28,255,990</u>	<u>\$ 30,288,941</u>	<u>\$ 30,523,350</u>

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds

**General Governmental Expenditures by Function
Primary Government (I)
Last Ten Fiscal Years**

1999	2000	2001	2002	2003	2004
\$ 6,118,607	\$ 5,640,034	\$ 6,615,906	\$ 6,858,715	\$ 6,735,682	\$ 6,941,792
1,267,814	1,431,959	1,620,826	1,509,771	1,746,720	1,701,092
10,210,766	11,099,114	12,397,928	13,286,384	13,959,215	15,036,185
841,451	814,015	854,949	1,005,013	1,099,351	1,401,921
4,631,399	5,274,762	4,959,887	5,287,024	4,810,972	3,907,165
3,008,275	3,282,222	3,412,046	4,060,889	4,298,932	4,033,302
6,026,933	3,613,582	9,420,085	15,392,464	20,175,677	3,815,752
2,506,542	2,719,175	2,820,773	3,087,550	3,857,433	4,353,516
2,094,754	1,915,703	1,779,215	2,474,909	2,545,378	2,298,669
37,618	6,608	5,461	130,700	78,548	40,630
<u>\$ 36,744,159</u>	<u>\$ 35,797,174</u>	<u>\$ 43,887,076</u>	<u>\$ 53,093,419</u>	<u>\$ 59,307,908</u>	<u>\$ 43,530,024</u>

City of Rochester Hills, Michigan

	1995	1996	1997	1998
Property taxes	\$ 15,713,518	\$ 15,983,212	\$ 15,646,887	\$ 16,568,976
Licenses and permits	1,550,777	1,652,179	1,593,410	1,430,486
Intergovernmental:				
State grants	7,607,548	8,501,736	8,533,737	9,141,722
Federal grants	179,043	20,719	261,775	184,217
Other intergovernment	87,709	124,928	241,846	265,071
Charges for service	1,434,205	1,474,444	3,097,450	3,739,172
Fines and forfeitures	328,968	290,007	314,004	280,120
Investment earnings	2,762,613	2,891,646	3,072,086	2,989,428
Special assessments	784,963	709,381	633,881	620,705
Miscellaneous	220,795	724,395	177,739	1,149,133
Total	<u>\$ 30,670,139</u>	<u>\$ 32,372,647</u>	<u>\$ 33,572,815</u>	<u>\$ 36,369,030</u>

(1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

**General Governmental Revenue by Source
Primary Government (I)
Last Ten Fiscal Years**

1999	2000	2001	2002	2003	2004
\$ 17,463,517	\$ 20,736,441	\$ 21,728,349	\$ 23,569,820	\$ 24,461,796	\$ 26,077,515
1,752,161	1,591,165	1,693,613	2,020,444	2,060,010	2,379,571
9,205,660	9,743,709	10,506,937	10,382,568	10,342,521	10,008,449
200,353	239,943	256,751	206,429	407,022	436,595
119,240	138,018	127,627	269,123	205,265	244,079
3,972,388	4,570,828	5,406,447	4,954,583	5,596,345	5,860,708
315,516	295,575	404,891	475,074	547,780	520,485
2,788,903	3,598,435	3,146,429	1,829,692	1,015,918	879,770
503,151	360,395	619,884	405,365	297,126	213,212
147,362	1,561,300	394,173	1,224,881	1,551,670	172,583
<u>\$ 36,468,251</u>	<u>\$ 42,835,809</u>	<u>\$ 44,285,101</u>	<u>\$ 45,337,979</u>	<u>\$ 46,485,453</u>	<u>\$ 46,792,967</u>

City of Rochester Hills, Michigan

General City Tax Levies and Tax Collections Primary Government Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1995	\$ 17,042,116	\$ 16,420,741	96.4	\$ 612,518	\$ 17,033,259	99.9	\$ 92,289	0.5
1996	17,535,685	16,988,842	96.9	653,456	17,642,298	100.6	70,771	0.4
1997	17,171,306	16,668,319	97.1	480,165	17,148,484	99.9	96,747	0.6
1998	18,188,720	17,611,336	96.8	600,789	18,212,125	100.1	74,018	0.4
1999	19,455,388	18,866,963	97.0	616,334	19,483,297	100.1	70,565	0.4
2000	22,815,043	22,150,477	97.1	631,682	22,782,159	99.9	96,225	0.4
2001	23,914,509	22,997,740	96.2	772,899	23,770,639	99.4	216,752	0.9
2002	25,845,403	24,839,899	96.1	861,185	25,701,084	99.4	328,003	1.3
2003	27,239,989	26,222,382	96.3	879,231	27,101,614	99.5	448,177	1.6
2004	28,709,347	27,626,606	96.2	969,338	28,595,943	99.6	89,412	0.3

City of Rochester Hills, Michigan

Assessed State Equalized Valuation of Taxable Property Last Ten Fiscal Years

Tax Year	Real Property (1)		Personal Property (1)		Total (1)	
	Taxable Value (2)	State Equalized	Taxable Value (2)	State Equalized	Taxable Value (2)	State Equalized
1995	\$ 1,820,039,200	\$ 1,837,394,250	\$ 155,790,030	\$ 155,868,500	\$ 1,975,829,230	\$ 1,993,262,750
1996	1,914,050,022	1,956,220,610	180,568,780	180,648,010	2,094,618,802	2,136,868,620
1997	2,021,948,112	2,114,890,800	198,655,370	198,788,700	2,220,603,482	2,313,679,500
1998	2,156,335,752	2,323,646,250	218,228,160	218,529,700	2,374,563,912	2,542,175,950
1999	2,267,535,234	2,541,786,010	228,085,700	228,610,390	2,495,620,934	2,770,396,400
2000	2,379,079,826	2,738,619,380	227,579,800	228,159,830	2,606,659,626	2,966,779,210
2001	2,530,849,050	2,950,805,550	227,393,630	227,972,560	2,758,242,680	3,178,778,110
2002	2,694,240,380	3,193,091,850	216,081,110	217,082,640	2,910,321,490	3,410,174,490
2003	2,858,868,260	3,436,054,780	205,993,980	205,993,980	3,064,862,240	3,642,048,760
2004	3,026,860,100	3,623,447,890	203,963,970	203,963,970	3,230,824,070	3,827,411,860

(1) Figures are tax warrant figures and do not reflect amendments by the Rochester Hills Board of Review, the Michigan Tax Tribunal, the State of Michigan Department of Treasury, or the City Assessor.

(2) Figures prior to 1995 are based on assessed value.

City of Rochester Hills, Michigan

Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years

Tax rates (Per \$1,000 assessed valuation):

City

Tax Year	General			Total City
	Operating	Special Voted	Debt Service	
1995	2.1410	4.9613	1.7682	8.8705
1996	2.1410	4.5228	1.5365	8.2003
1997	1.8303	4.7864	1.5836	8.2003
1998	1.6579	5.0618	1.4806	8.2003
1999	2.6602	5.1755	1.3141	9.1498
2000	2.7267	5.0098	1.4133	9.1498
2001	2.8277	4.9982	1.5422	9.3681
2002	2.9188	5.0136	1.4357	9.3681
2003	3.0850	4.9673	1.3158	9.3681
2004	3.1130	4.9339	1.3212	9.3681

County

Tax Year	County	Intermediate	School Debt	Special	Vocation	Parks	Total County
	Operating	School		Education	Education		
1995	4.4805	0.2129	-	1.4906	0.4259	0.4675	7.0774
1996	4.3805	0.2129	-	1.4906	0.4259	0.4675	6.9774
1997	4.3505	0.2129	-	1.4906	0.4259	0.4675	6.9474
1998	4.1900	0.2120	-	1.4846	0.4242	0.4664	6.7772
1999	4.1900	0.2099	-	1.4699	0.4200	0.4622	6.7520
2000	4.1900	0.2074	-	1.4527	0.4151	0.4578	6.7230
2001	4.1900	0.2053	-	2.6085	0.6388	0.4538	8.0964
2002	4.1900	0.2035	-	2.5857	0.6332	0.4623	8.0747
2003	4.1900	0.2021	-	2.5682	0.6288	0.4597	8.0488
2004	4.1900	0.2009	-	2.5530	0.6250	0.4576	8.0265

City of Rochester Hills, Michigan

Tax rates (per \$1,000 assessed valuation)

School Districts

Tax Year		Rochester District			Avondale District			
		Operating	Debt Service	Total District	Operating	Extra Voted	Debt Service	Total District
1995	Homestead	-	4.8800	4.8800	-	2.8543	5.6000	8.4543
	Nonhomestead	18.0000	4.8800	22.8800	18.0000	-	5.6000	23.6000
1996	Homestead	-	4.2500	4.2500	-	2.3214	7.0000	9.3214
	Nonhomestead	18.0000	4.2500	22.2500	18.0000	-	7.0000	25.0000
1997	Homestead	-	5.9000	5.9000	-	2.1943	7.0000	9.1943
	Nonhomestead	18.0000	5.9000	23.9000	18.0000	-	7.0000	25.0000
1998	Homestead	-	5.6000	5.6000	-	2.0944	7.0000	9.0944
	Nonhomestead	18.0000	5.6000	23.6000	18.0000	-	7.0000	25.0000
1999	Homestead	-	5.6000	5.6000	-	1.9225	7.0000	8.9225
	Nonhomestead	18.0000	5.6000	23.6000	18.0000	-	7.0000	25.0000
2000	Homestead	-	5.6000	5.6000	-	1.8190	7.0000	8.8190
	Nonhomestead	17.6508	5.6000	23.2508	18.0000	-	7.0000	25.0000
2001	Homestead	-	5.2250	5.2250	-	1.7298	7.0000	8.7298
	Nonhomestead	17.3013	5.2250	22.5263	18.0000	-	7.0000	25.0000
2002	Homestead	-	5.2250	5.2250	-	1.6793	7.0000	8.6793
	Nonhomestead	18.0000	5.2250	23.2250	18.0000	-	7.0000	25.0000
2003	Homestead	-	5.2250	5.2250	-	1.5965	7.6000	9.1965
	Nonhomestead	18.0000	5.2250	23.2250	18.0000	-	7.6000	25.6000
2004	Homestead	-	5.1800	5.1800	-	1.4092	7.6000	9.0092
	Nonhomestead	18.0000	5.1800	23.1800	18.0000	-	7.6000	25.6000

Property Tax Rates
Direct and Overlapping Governments (Continued)
Last Ten Fiscal Years

Community College		State Education Tax	Grand Total	
Voted	Total College	Operating	Rochester School District	Avondale School District
1.6522	1.6522	6.0000	28.4801	32.0544
1.6522	1.6522	6.0000	46.4801	47.2001
1.6522	1.6522	6.0000	27.0799	32.1513
1.6522	1.6522	6.0000	45.0799	47.8299
1.6522	1.6522	6.0000	28.6999	31.9942
1.6522	1.6522	6.0000	46.6999	47.7999
1.6456	1.6456	6.0000	28.2231	31.7175
1.6456	1.6456	6.0000	46.2231	47.6231
1.6295	1.6295	6.0000	29.1313	32.4538
1.6295	1.6295	6.0000	47.1313	48.5313
1.6109	1.6109	6.0000	29.0837	32.3027
1.6109	1.6109	6.0000	46.7345	48.4837
1.5952	1.5952	6.0000	30.2847	33.7895
1.5952	1.5952	6.0000	47.5860	50.0597
1.6090	1.6090	6.0000	30.2768	33.7311
1.6090	1.6090	6.0000	48.2768	50.0518
1.5983	1.5983	5.0000	29.2402	33.2117
1.5983	1.5983	5.0000	47.2402	49.6152
1.4092	1.4092	6.0000	30.1635	33.9927
1.4092	1.4092	6.0000	48.1635	50.5835

City of Rochester Hills, Michigan

**Principal Taxpayers
December 31, 2004**

Taxpayer	Type of Business	Taxable Value	Percent of Total Taxable Valuation
Detroit Edison	Electric utility	\$ 35,700,550	1.11
Meadowbrook Association	Retail	23,867,210	0.74
New Plan Realty Trust	Retail	20,755,930	0.64
Stuart Frankel	Retail/Apartments/Industrial	16,766,520	0.52
Fanuc Robotics	Industrial property	15,731,220	0.49
River Oaks North LLC	Apartments	15,700,550	0.49
First Industrial Realty Trust	Industrial property	14,624,590	0.45
Consumers Power	Gas utility	14,040,880	0.43
Associates Estates Realty	Apartments	13,121,100	0.41
Winchester Center	Retail	12,749,360	0.39
	Subtotal	183,057,910	5.67
Other		3,047,766,160	94.33
	Total	<u>\$ 3,230,824,070</u>	<u>100.00</u>

City of Rochester Hills, Michigan

Special Assessment Billings and Collections Last Ten Fiscal Years

Tax Year	Current Assessments Due	Current Assessments Collected	Percent of Current Assessments Collected (1)	Total Outstanding Assessments
1995	\$ 180,148	\$ 784,963	435.73%	\$ 3,227,740
1996	115,435	709,381	614.53%	2,519,086
1997	151,237	633,881	419.13%	2,081,307
1998	224,866	620,705	276.03%	1,456,554
1999	134,007	503,150	375.47%	1,693,404
2000	125,713	360,395	286.68%	1,360,923
2001	143,681	558,777	388.90%	1,757,153
2002	121,629	405,364	333.28%	1,524,433
2003	106,341	297,126	279.41%	1,057,290
2004	71,312	213,212	298.98%	825,452

(1) Percents in excess of 100 percent represent advance payments on special assessments due over multiple-year periods.

City of Rochester Hills, Michigan

Computation of Legal Debt Margin December 31, 2004

State equalized valuation at December 31, 2004 \$ 3,827,411,860

	Actual Net Debt	Statutory Percent of Taxable Value	Amount	Legal Debt Margin
General obligation debt	\$ 45,438,037	10%	\$ 382,741,186	\$ 337,303,149
Special assessment bonds	<u>2,290,000</u>	12%	<u>459,289,423</u>	<u>456,999,423</u>
Total debt subject to statutory limitation	47,728,037		<u>\$ 842,030,609</u>	<u>\$ 794,302,572</u>
Debt not subject to limitation:				
Michigan Transportation Highway Fund Bonds	2,695,000			
Self-supporting County- issued debt	<u>4,850,000</u>			
Total debt	<u>\$ 55,273,037</u>			

Notes:

- (1) Act 279, Public Acts of Michigan, 1909, as amended, and the City Charter of the City of Rochester Hills provide that the net indebtedness of the City shall not exceed 10 percent of all assessed valuation.

Bonds that shall be excluded in this computation of net indebtedness, according to said Act, are as follows:

- Special assessment bonds
 - Mortgage bonds
 - Motor Vehicle Highway Fund Bonds
 - Revenue bonds
 - Bonds issued, or contracts, or assessment obligations incurred, to comply with an order of the Water Resources Commission or a court of competent jurisdiction
 - Other obligations incurred for water supply, drainage, sewage, or refuse disposal projects necessary to protect the public health by abating pollution
- (2) The Municipal Finance Act provides that the total debt in Special Assessment Bonds, which would require that the City pledge its full faith and credit, shall not exceed 12 percent of the assessed valuation of taxable property of the City, nor shall such bonds be issued in any calendar year in excess of 3 percent unless voted. The Special Assessment Bond percent limit is in addition to the 10 percent limit as provided by Act 279, Public Acts of Michigan, 1909, as amended, as described in Note 1 above.

City of Rochester Hills, Michigan

Ratio of Net Bonded Debt to State Equalized Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population	State Equalized Value	Gross Bonded Debt	Debt Service Monies Available	Self-supporting Revenue Debt	Net Bonded Debt	Ratio of Net Bonded Debt to State Equalized Value	Net Bonded Debt Per Capita
1995	64,161 (2)	\$ 1,993,262,750	\$ 64,546,642	\$ 4,192,818	\$ 24,384,446	\$ 35,969,378	1.80%	560.61
1996	66,365 (3)	2,136,686,620	59,636,225	4,442,518	21,554,609	33,639,098	1.57%	506.88
1997	66,365 (3)	2,313,679,500	54,566,298	4,269,269	18,592,595	31,704,434	1.37%	477.74
1998	68,501 (4)	2,542,175,950	52,351,586	3,045,819	14,503,372	34,802,395	1.36%	508.06
1999	70,400 (5)	2,770,396,400	47,208,244	3,345,215	11,357,953	32,505,076	1.17%	461.72
2000	68,825 (1)	2,966,779,210	42,410,019	3,074,808	8,938,914	30,396,297	1.02%	441.65
2001	68,825 (1)	3,178,778,110	51,990,208	3,446,405	7,984,876	40,558,927	1.28%	589.31
2002	68,825 (1)	3,410,174,490	65,993,589	3,722,903	10,475,807	51,794,880	1.52%	752.56
2003	68,825 (1)	3,642,048,760	59,731,553	3,746,922	7,750,000	48,234,629	1.33%	700.83
2004	68,825 (1)	3,827,411,860	55,273,037	6,749,421	7,140,000	41,383,619	1.09%	601.29

Footnotes:

- (1) Source: U.S. Bureau of the Census
- (2) Source: Oakland County Planning Division, Estimated Growth Population through 1992
- (3) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1995
- (4) Source: Oakland County Planning Division, Estimated Growth Population through 1996
- (5) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1999

City of Rochester Hills, Michigan

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total (1) General Expenditures	Ratio of Debt Service to Total General Expenditures
1995	\$ 2,061,264	\$ 2,567,516	\$ 4,628,780	\$ 26,293,309	17.6%
1996	2,395,579	2,637,372	5,032,951	28,255,990	17.8%
1997	2,593,804	2,417,111	5,010,915	30,288,941	16.5%
1998	2,510,937	2,036,342	4,547,279	30,523,350	14.9%
1999	2,506,542	2,094,754	4,601,296	36,744,159	12.5%
2000	2,719,175	1,915,703	4,634,878	35,797,174	12.9%
2001	2,820,774	1,779,214	4,599,988	43,887,076	10.5%
2002	3,087,550	2,474,909	5,562,459	53,093,419	10.5%
2003	3,857,433	2,545,378	6,402,811	59,307,908	10.8%
2004	4,353,516	2,298,669	6,652,185	43,530,024	15.3%

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds of the primary government

City of Rochester Hills, Michigan

Schedule of Direct and Overlapping Debt December 31, 2004

Direct Debt

General obligation bonds:	\$ 30,890,000
Unlimited tax	1,490,000
Limited tax	2,290,000
Special assessment	17,908,037
Share of County-issued bonds	2,695,000
Michigan Transportation Fund Bonds	
	<u>\$ 55,273,037</u>
Total direct debt	

Less:	6,749,421
Amount available for debt service	4,850,000
Self-supporting share of County-issued debt	<u>2,290,000</u>
Self-supporting Transportation Fund Bonds	
	<u>41,383,616</u>
Net direct debt	

Overlapping Debt

City Share as Percent of Gross	Municipality	Gross Tax Supported Debt	Net City Share
59.63%	Rochester School District	268,890,000	160,339,107
49.99%	Avondale School District	109,747,434	54,862,742
5.77%	Oakland County at Large	97,802,273	5,643,191
5.81%	Oakland Community College	12,325,000	716,083
5.79%	Oakland Intermediate School District	11,200,000	648,480
			<u>222,209,603</u>
			<u>\$ 263,593,219</u>

Net Direct and Overlapping Debt

Per Capita Debt: Population per Year 2000 Census - 68,825

Net direct debt	601.29
Net direct and overlapping debt	3,829.91
Ratio of 2004 taxable value (\$3,230,824,070):	
Net direct debt ratio	1.28%
Net direct and overlapping debt ratio	8.16%

City of Rochester Hills, Michigan

Capital Lease Obligations Coverage Water and Sewer Leases (1) December 31, 2004

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses (3)	Net Revenue Available for Service Debt	Debt Service Requirements through December 31			
				Principal	Interest	Total	Coverage
1995	\$ 12,302,008	\$ 12,092,065	\$ 209,943	\$ 2,357,629	\$ 1,209,661	\$ 3,567,290	0.06
1996	11,869,523	12,638,174	(768,651) (4)	2,514,837	1,039,353	3,554,190	-
1997	12,311,408	13,235,788	(924,380) (5)	2,622,014	911,099	3,533,113	-
1998	13,865,140	15,509,926	(1,644,786) (6)	2,729,223	751,170	3,480,393	-
1999	12,489,318	16,232,415	(3,743,097) (7)	2,830,419	586,386	3,416,805	-
2000	10,716,670	15,821,937	(5,105,267) (8)	2,084,039	480,081	2,564,120	-
2001	15,075,311	16,766,992	(1,691,681)	2,209,038	313,044	2,522,082	-
2002	18,992,904	19,243,358	(250,454)	2,384,069	172,125	2,556,194	-
2003	19,759,609	19,906,469	(146,860)	2,300,807	34,264	2,335,071	-
2004	21,321,916	19,676,120	1,645,796	-	-	-	-

(1) Information pertains to Water and Sewer Fund only

(2) Total revenue exclusive of investment income

(3) Total expenses exclusive of interest expense

(4) The excess of direct operating expenditures over gross revenue in 1996 is due primarily to the decrease in the water and sewer rates.

(5) The excess of direct operating expenditures over gross revenue in 1997 is due primarily to the overhead allocation charges.

(6) The excess of direct operating expenditures over gross revenue in 1998 is due primarily to an increase in water and sewer rates.

(7) The excess of direct operating expenditures over gross revenue in 1999 is due primarily to an increase in water and sewer rates.

(8) The excess of direct operating expenditures over gross revenue in 2000 is due primarily to an increase in water and sewer rates.

City of Rochester Hills, Michigan

**Demographic Statistics
December 31, 2004**

<u>Fiscal Year</u>	<u>Population of City</u>	<u>Population of Oakland County</u>	<u>City Housing Profile # of Units</u>
1970	24,513 (1)	907,871 (1)	6,252 (1)
1980	40,704 (1)	1,011,793 (1)	14,598 (1)
1985	48,574 (2)	1,011,793 (1)	17,185 (2)
1990	61,523 (3)	1,083,592 (4)	23,531 (5)
1991	61,766 (1)	1,083,592 (1)	24,578 (5)
1992	61,766 (1)	1,083,592 (1)	24,974 (5)
1993	61,766 (1)	1,083,592 (1)	25,198 (5)
1994	64,161 (6)	1,118,611 (6)	25,648 (5)
1995	64,161 (6)	1,118,611 (6)	25,914 (5)
1996	66,365 (7)	1,150,872 (7)	26,135 (5)
1997	66,365 (7)	1,150,872 (7)	26,920 (5)
1998	68,501 (8)	1,150,872 (7)	27,270 (5)
1999	70,400 (9)	1,222,358 (9)	27,368 (5)
2000	68,825 (1)	1,194,156 (1)	27,969 (5)
2001	68,825 (1)	1,194,156 (1)	28,191 (5)
2002	68,825 (1)	1,194,156 (1)	28,536 (5)
2003	68,825 (1)	1,194,156 (1)	28,723 (5)

(1) Source: U.S. Bureau of the Census

(2) Source: U.S. Bureau of the Census, special census count, September 25, 1985

(3) Source: U.S. Bureau of the Census, U.S. Census preliminary estimate

(4) Source: Oakland County Planning Division, U.S. Census preliminary estimate

(5) Source: Rochester Hills Assessing Department

(6) Source: Oakland County Planning Division, Estimated Growth Population

(7) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1995

(8) Source: Oakland County Planning Division, Estimated Growth Population through 1996

(9) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1999

City of Rochester Hills, Michigan

Demographic Statistics (Continued) December 31, 2004

Fiscal Year	Total Building Permits	Total Construction Valuation	State Equalized Value		
			Real	Personal	Total
1995	1,089	\$ 88,904,192	\$ 1,837,394,250	\$ 155,868,500	\$ 1,993,262,750
1996	1,110	104,936,601	1,956,220,610	180,648,010	2,136,868,620
1997	1,048	90,442,390	2,114,890,800	198,788,700	2,313,679,500
1998	990	90,457,005	2,323,646,250	218,529,700	2,542,175,950
1999	958	81,147,080	2,541,786,010	228,610,390	2,770,396,400
2000	842	89,154,870	2,738,619,380	228,159,830	2,966,779,210
2001	759	106,582,700	2,950,805,550	227,972,560	3,178,778,110
2002	886	145,489,900	3,193,091,850	216,081,110	3,409,172,960
2003	1,058	130,369,246	3,436,054,780	205,993,980	3,642,048,760
2004	1,005	170,586,904	3,623,447,890	203,963,970	3,827,411,860

Source: Rochester Hills Building Department

City of Rochester Hills, Michigan

**Miscellaneous Statistics
December 31, 2004**

Area:	32.2 square miles
Form of government:	Home rule city (Council-Mayor form)
History of city:	Avon Township (City of Rochester Hills) was first formed April 6, 1835. In 1978, Avon Township became the Charter Township of Avon. The present City Charter as adopted May 22, 1984 became effective November 20, 1984.
Population:	68,825 (year 2000 census)
Fiscal year begins:	January 1
Number of city employees (excluding firefighters):	244 regular, 67 seasonal, 40 part-time, and 423 election workers
Fire protection:	Five stations, 23 regular, and 94 paid-on-call firefighters
Police protection:	City contracts police protection from the Oakland County sheriff's department. Currently, 58 regular officers are contracted.
Streets:	16.14 miles of state trunk lines, 38.84 miles of county roads, 36.66 miles of major roads, and 206.5 miles of local roads

City of Rochester Hills, Michigan

Economic Development Corporation December 31, 2004

The Economic Development Corporation of the City of Rochester Hills (the "Corporation") issues tax-exempt revenue bonds under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities, which are leased to industrial and commercial enterprises under contracts that provide sufficient revenue to satisfy principal and interest requirements of the related bond issues. These contracts further provide for the transfer of the related property to the lessee at the time such indebtedness becomes paid in full.

The Corporation's bond issues are payable solely from the net revenues derived from the financed projects and are collateralized by mortgages on the underlying project assets. The leased property and the bond issues are not assets or general obligations of the Corporation and, accordingly, are not recognized in the financial statements of the City.

Revenue bonds issued by the Corporation as of December 31, 2004 are as follows:

Issue	Lessee	Original Issue	Interest Rate
1985 Demand Adjustable Rate Limited Obligation Revenue Bonds, payable through 2016	Peachwood Center Associates	\$ 9,000,000	Variable
1986 Limited Obligation Economic Development Revenue Bonds, payable through 2007	Bond Street Company	1,250,000	Variable
1986 Limited Obligation Economic Development Revenue Bonds, payable through 2011	KY Development Company	1,420,000	Variable